

Twenty Trends!

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PROPERTY INSURANCE REPORT
NATIONAL CONFERENCE 2024

November 10–12 | The Ritz-Carlton, Laguna Niguel

I. The Table Is Set For Someone to Win Big

- As mentioned yesterday, big rate increases and aggressive risk assessment have reset the market
- But we see little confidence. Hurricanes will do that
- An insurer confident in rate and risk management could grow rapidly while cherrypicking risk
- Not for the faint of heart, because if you get it wrong you might go out of business

2. No Emerging Risks, Only Growing Risks

- We've been out and about a lot this year, and a common question is about “new and emerging risks”
- There isn't anything new under the sun. No new risks
- But the SCALE of risks has changed dramatically
- Midwest climate change is just one example
- This should be easier to work with than “new” risks

3. Nuances of Growing Risks Require Serious Attention

- Broadening perils bring new headaches
- Smoke not a problem until fire risk changes
- Water loss severity requires more mitigation
- And the new tools require thoughtful execution
- Examples: shutoff valves, aerial imagery, roof assessment, water quality assessment

4. Florida: Not Dead Yet!

- Three big 2024 storms (so far) and no knockout blow
- Real estate values have been hit
- Fortified Home worked
- Market reforms seem to be working, but never count the lawyers out. They'll find something
- Florida has lived on a razor's edge for decades, but it has managed to stay afloat

5. California: Just a Flesh Wound?

- Hasn't gotten better, hasn't gotten worse
- 2024: Propose reforms. 2025: Implement reforms
- CDI has made key proposals, but they lack detail
- Lara's goal: Maximum flexibility for CDI
- Forward momentum, but no action
- All comes down to implementation

6. Claims Volume Has Changed Forever

- Property claims have always been volatile
- Like a firehouse: Sit around lifting weights, then boom!
- There are more large events than ever before
- Staffing to the average – never a good idea – is over
- That means integrating variable staffing
- These pressures bring lawyers out of the woodwork

7. Market Pressures

Increase Public Scrutiny

- We disagree here on severity
- Pat: The public is looking to be angry
- Brian: The public sees reality and accepts it
- NAIC: All property focus and no auto
- The media (*NY Times*) is uncertain

8. Cutting Coverage Is the Worst Solution!

- Customers and agents solve higher costs with lower coverage limits. Always a terrible idea
- Even regulators and politicians are leaning this way
- ACV feels good until the claims come in
- The public will revolt at claims time

9. Imagery Kerfuffle Part of a Broader Trend on Transparency

- Everyone hates a black box
- Most recently, the GM driving data debacle
- Now there are questions about aerial imagery
- The industry must be more transparent
- You need a process, listen to your vendors

10. Invest Political Capital in Stronger Building Codes

- Best way to impact nation's risk profile
- Municipalities not equipped for today's challenges
- Stronger codes a remarkable success in Florida
- Change in mindset for government affairs
- A few insurers are taking action, such as State Farm and Nationwide. Join them!

II. Our Cockamamie Scheme: Better Zoning

- There are places people should not build
- Municipalities have a conflict of interest
- Towns want to grow the tax base, not mitigate risk
- Bankers have no skin in the game
- Results of bad zoning doesn't hurt politicians, builders
- It does hurt residents, tax coffers and insurers

12. Surplus Lines Becomes An Essential Safety Valve

- Residual markets have long been the primary outlet for high-risk properties
- But residual markets are frightening primary insurers, and they don't offer enough coverage
- Surplus lines should be complex, costly, messy
- Too much regulation leads to too little coverage

I 3. Midwest Mutuals Face Existential Challenges

- Property insurance cannot be concentrated
- Especially in the 'large-loss event' Midwest
- Reinsurance market has lost interest
- Consolidation brings geographic diversity and scale
- We're still believers in small insurers, but they have to face facts in property

14. There Are Fewer “Perfect” Customers

- Housing market looks much different than 2019
- Fewer Millennials own homes at their age than Boomers/Gen X
- Migration is to high-risk areas
- Enter stage left: Gen Z
- Renters insurance resumes its role as an entry point

15. Auto Recovers From Worst Years Ever

- Rate increases, tighter underwriting, no marketing
- Claim cost increases have slowed/stopped
- Progressive was the first back, others coming
- Auto momentum will drag property along with it
- For home insurers, bundles are at risk
- Shopping has been very high, and switching will come

16. The FCC Is Altering Lead Generation

- Online lead gen will fundamentally change in 2025
- One-to-one consent for robocall/texting
- Changes to opt outs
- Result: lower volume, maybe higher quality
- Regulation by litigation

17. “AI” Isn’t a Real Thing

- AI is a big deal, but not new. Part of a continuum
- “Big Data” ... “Predictive Analytics” ... “AI” ... “?”
- So why is fear/excitement for AI such a big deal?
- Natural language processing (machine vision 2.0)
- AI smoke and mirrors no excuse to ignore it
- You need to be great, not just good, at using data

18. Independent Agents Are Winning

- Captive agents dominate in homeowners
- But independent agents are taking auto share
- Now independent agent insurers are pushing in home (Travelers, Progressive, Erie, Auto-Owners)
- Responding, captives act more like independents
- Result: more players, possibly less retention

19. Reinsurers Are Smarter This Time Around

- That means more work for primary insurers
- So far, they have been disciplined through this cycle
- Rejecting lower layers
- Particularly troublesome because of the advent of more “large-loss events” that don’t hit reinsurance
- Historically, they lose their discipline eventually

20. Competitive Window Is Open

- By the time we meet next year, someone will have turned on the growth machine. The question is who?
- Comes down to the ability to identify the right risks
- The key skill: the ability to say “Yes”
- Get it wrong, and death
- Get it right, and you’ll win profitable growth

See You Next Year! Nov. 9-11, 2025

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