Twenty Trends!

Patrick Sullivan and Brian Sullivan, *Property Insurance Report*

PROPERTY INSURANCE REPORT
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1. Earthquake: A Time Bomb That Doesn't Even Tick

- As you can read in PIR, the earthquake insurance market is stable, which is bad because it is too small
- Hard to urge private insurers to write more. Impossible to price, unlike flood or wildfire or wind
- But you're exposed through secondary perils, politics
- Therefore, support the only things that help: mitigation, building codes and education

2. California Didn't Collapse

- "The Big One" hit, and the market's still standing
- That's largely luck: community mitigation is the future; the fires only stopped because the wind changed
- Credit where credit is due: Lara's plan is "working"
- The 85% rule has a public perception issue, NY Times
- Commissioner Lara was never going to get out alive


2023
Rock:
Political Death
If Market
Collapses
Hard Place:
Political Death
When Prices
Soar

2a. California Homeowners Insurance in Context

- California profits are far below average (See PIR)
- Despite much higher insured values and income, California rates are well below the national average
- Average premium in California in 2022: $1,492. Florida $2,677; Louisiana, $2,603; Texas: $2,397
- Higher prices hurt. But California is still **cheap**. Absence of availability is a much bigger risk!

3. We Now Know How To Utilize "Insurance AI"

- It is a major step change that you must embrace
- Very specific solutions to very narrow problems
- No "AI insurance company," like no "digital" insurer
- Natural Language Processing is the magic for you
- "Agentic AI" is on its way, starting in auto
- AI solutions require broad engagement

4. "Foolish" Florida Shows How To Fix Insurance Markets

- Florida property insurance has endured some of the dumbest "solutions" in insurance history
- But credit where credit is due: building codes worked
- Zoning isn't quite there, but still impressive
- Now legal reforms on AOB, attorney fees and more deliver real savings to insurers *and* consumers: new insurers, lower rates, smaller Citizens. Who knew?

5. Midwest: "Low" Severity Is a Disaster

- Last year, we learned the unstable North Pole is driving Midwest storms
- Midwest catastrophes are small relative to hurricanes, wildfire, floods, etc.
- That's the problem. Severity just below rising reinsurance attachment points
- It is only getting harder. Still seeking solutions

6. Mutual Mergers Are Not A Sign of Structural Trouble

- Small mutuals are merging and that's a good thing
- For 100+ years mutuals have been merging
- The best news: it isn't big gobbling small, it is small joining forces to reach the new minimum size
- We need these companies, which play an essential role in the property insurance ecosystem
- The big worry: reinsurance capacity for small carriers

7. Product/Policy Innovation Is Real and Necessary

- Innovation has been focused on systems, data, claims, distribution, underwriting
- Changing risk requires innovation in policy language
- Zesty showed us the quiet revolution under way
- Carriers need to make this VERY clear to homeowners and regulators
- Communicating change is tricky, but essential

8. Everyone Is Sure to Get Burned By Underinsurance

- Vendors benefit from updated replacement costs
- Same for homeowners, who need the right limits. It is hard to rebuild an underinsured community
- And it is essential for insurers as well!
- Climate volatility will keep the issue alive
- More total losses = underinsurance gets exposed

9. Techies Now Love Commercial Lines

- Insuretech has moved on from personal lines distribution MGAs — Lemonade, Hippo, Kin, Root
- At ITC, a zillion startups now addressing commercial lines process, distribution, data insights
- Reducing turnaround by a week is real advantage, easier than improving homeowners work flow
- Perfect place to utilize AI

10. Insurers Must Show Up When Builders Embrace Mitigation

- Imagine Steve Ruffner's pain: he convinces his partners to do the right thing $$$$, and insurers ignore him
- Sometimes you have to make exceptions to underwriting rules to support such initiatives
- We're not suggesting betting the farm. But taking on a few homes won't kill anyone and will support better building going forward. Not just California!

11. Smoke Needs Science

- Last year, APCIA explained risk from smoke claims
- Understanding the science is critical to setting up the right claims process, as with mold, hail, wind
- Not enough insurers are engaged in the science
- This isn't part of the industry's brief at IBHS, UL, or even FM Global, so you need to educate yourself

12. In Big Claims, Consumers Are Seeking Advocates

- It can't be you, and you don't want it to be a lawyer
- People increasingly want help from someone with their interests in mind; enter public adjusters
- Don't follow your auto brethren, who dropped the ball and ceded the ground to billboard lawyers
- You don't want customers who are "good" at claims!

13. Fewer New Homeowners Means Tougher Marketing

- 7% of renters became homeowners through the 2010s. That number fell to 4.5% in 2024. Auto loan & mortgage origination are below pre-pandemic levels
- Organic growth is suppressed and carriers are fighting over a smaller group of policyholders

Mortgage Originations Have Collapsed

Source: Federal Reserve Bank of Philadelphia via FRED®

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- Organic growth is suppressed and carriers are fighting over a smaller group of policyholders
- Good risks are still out there, but it'll take additional segmentation work to find them

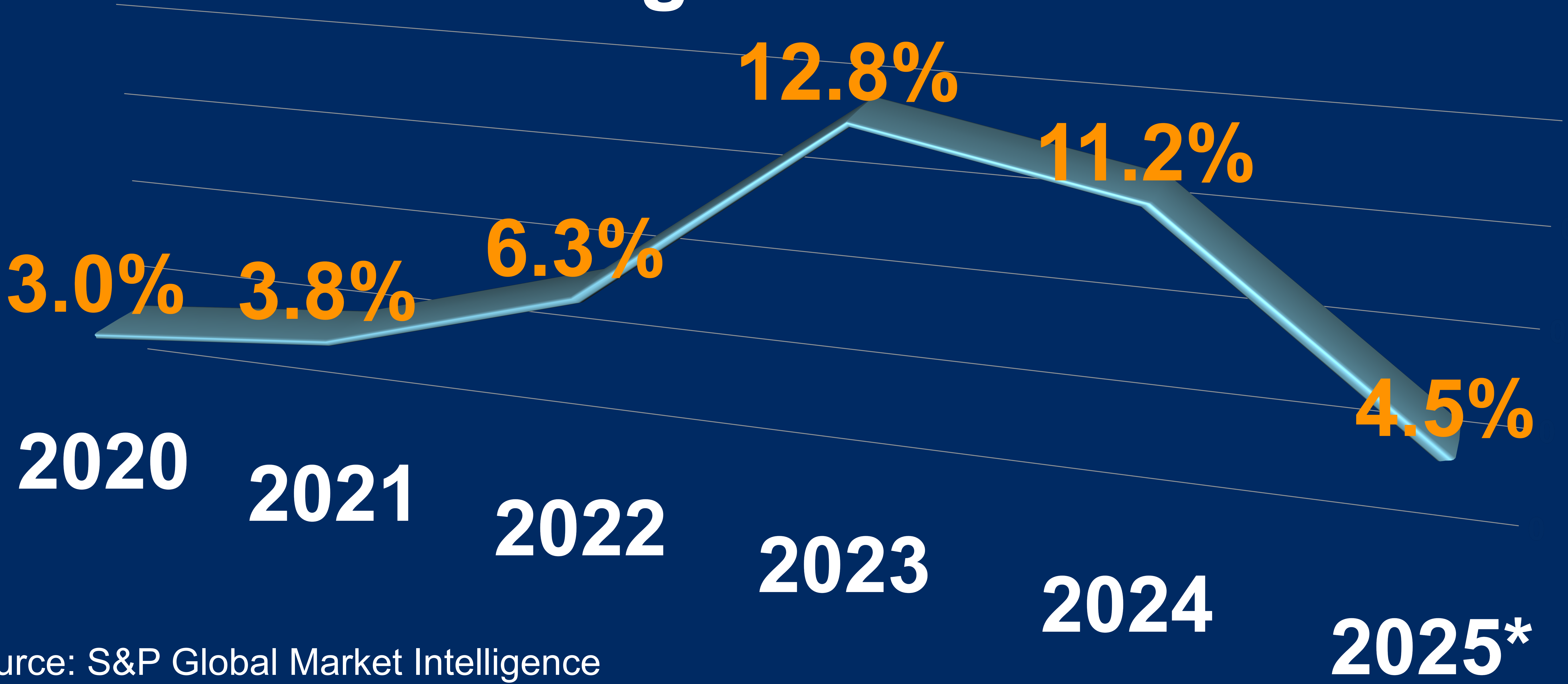
15. Auto Insurance Was Too Fat and Too Happy

- You think property insurance is volatile? In the past four years, your auto insurance buddies have seen the worst year ever (2022) and one of the best (2024-25)
- Auto is now past its peak, but not collapsing and won't be a drag on homeowners
- A benign product partner right now; 2026 could bring intense competition, a bloodbath is unlikely

14. Homeowners Reaches a Hopefully Healthy Plateau

- Our constant admonition: ignore short-term results
- The market has been free of surprises, or unexpected risks (LA fire risk was very much understood)
- But to gauge insurance company confidence in their pricing, looking at rate changes really helps, and they show carriers feel they have what they need…

U.S. Homeowners Rate Increases For Largest Insurers



Source: S&P Global Market Intelligence
49 markets. * Through November 8

16. Fortified Is Becoming A True Standard

- We finally have research showing that the IBHS Fortified Home standard reduces damage and claims
- Coastal states with grant programs see more Fortified roofs; Alabama is the leader, North Carolina, Louisiana, Florida, and others
- New trend: Inland states adopt Fortified to address wind and hail. Oklahoma, Minnesota, Kentucky…

17. Ting Is a Real Thing

- You can see it coming (you might see them next year)
- Enough devices have been deployed to generate meaningful data
- By the way, utilities are trying to insulate themselves from subrogation costs
- Utilities need to adapt – a costly act, and takes time

18. "Digital Claims" Has Been Fun But Is It Real?

- This is what we're going to work on in the next year
- On the surface, it is still a cute baby. Will it grow up?

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- Regulators aren't sure — limits on drones
- Can Chatbots and Voice AI work at scale?
- How have virtual inspection tools matured?
- More to come...

19. Has Aerial Imagery Passed The Sniff Test?

- There was a lot of attention on this last year
- Eagleview, Nearmap, and Vexcel all leapt on our stage
- Transparency is key: carriers need to verify before making adverse decisions and ensure imagery is updated
- Challenges continue: Proposed legislation in California and a proposed class-action lawsuit

20. Uncertainty Rules

- Tariffs? Climate? The Economy? Trade Wars? Labor? Midterm elections? FEMA? NFIP?
- It's unlikely anyone goes "all in" next year, too many moving parts are up in the air
- Opportunity abounds for the confident
- To secure the future, carriers will need to get out of their comfort zone and engage


See You Next Year! Nov. 15-17, 2026
The Ritz-Carlton Laguna Niguel
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