

JDFULWILER & CO. INSURANCE

State of the Market for Habitational Property Owners

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Factors Influencing Coverage and Premiums

- The coverage and premiums for habitational properties have seen major changes over the past few years. The following factors have had a major influence:
 - Natural disasters and climate change making them annual events.
 - Increase in construction costs and supply chain disruption.
 - Risk Assessment tools (AI) that have generated additional information utilized by underwriting:
 - Crime scores
 - Wildfire scores
 - Age of the buildings
 - Type of breaker panels
 - Type and age of plumbing

Factors Influencing Coverage and Premiums

The coverage and premiums for habitational properties have seen major changes over the past few years. The following factors have had a major influence:

- Reinsurance markets have limited their capacity and increased costs due to wildfires, hurricanes, and other disasters.
- Reduction in the number of carriers interested in insuring apartments.
- Plaintiff-friendly jurisdictions.
- Carriers tightening requirements
- Water damage claims

Carrier Responses

- Looking closely at building values, location, claims history, year built, updates to systems (electrical, plumbing, HVAC, and roof).
- Continually updating new underwriting guidelines and looking for the “perfect risk”.
 - Carriers limit the age of buildings they are writing:
 - Tier 1: 2000 and newer, sprinklered
 - Tier 2: 1990 and newer
 - Tier 3: 1980-1990
 - Tier 4: 1980 and older

Carrier Responses

- Changes to locations carriers are able or willing to write coverage due to natural disaster hazards or crime scores.
 - Crime Scores
 - Wildfire Scores
- Required system update requirements
 - Electrical – inspected and no bad panels
 - Plumbing – no galvanized or poly butylene
 - Roof – replaced in the last 20 years

Carrier Responses

- Value Limitations
 - Frame unsprinklered: \$6 million and under
 - Frame sprinklered: \$25-\$30 million
- Policy form updates making changes to limits/coverage/deductibles.
 - Water damage coverage decreased and deductible increased, roof limitations based on age, limitation/exclusions for electrical systems not updated.
- Changes to eligibility based on year built, location, and system updates.

Carrier Responses

- Premium Increases
 - Per the latest survey completed by the National Apartment Association insurance, premiums rose an average of 26% over the last year with some areas seeing even much higher increases.
- Less tolerance for claims frequency/severity at renewal.

What Can You Do?

- Increase in deductibles or multiple deductibles based on loss type.
 - Higher or lower deductible for water damage versus fire damage.
- Plan on updating major building systems.
 - Replace old water pipes
 - New roof
 - Inspect electrical system regularly
 - Limit turning in smaller maintenance-type claims

The Future

- Premium increases will slow down on tier 1 and tier 2 locations 10-15%.
- Tier 3 will continue to increase as carriers become pickier.
 - With system updates: 15-20%
 - Without system updates: 20-25%
- Tier 4 will transition to surplus lines from preferred and increase 30% or more.

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Questions?

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