



EJF REAL ESTATE

# STATE OF THE INSURANCE MARKET

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# GENERAL OVERVIEW

- Hard vs. Soft Markets
- What drives these markets?
  - Re-insurance Costs
  - Market Capacity
  - Inflation
  - Social Inflation, Legal Costs & Increased Average Summary Judgements, Surfside Collapse



A photograph of a modern, multi-story apartment building with light-colored brick and dark-framed windows. Several balconies with black metal railings are visible, some with plants and outdoor furniture. The building is set against a clear blue sky. A large, dark blue geometric shape, resembling a triangle, is overlaid on the top left corner of the image.

# RE-INSURANCE COSTS

- What is re-insurance?
- Why do re-insurance costs effect properties in Washington, DC.
  - Natural Disaster (Cost of the Damage)



# MARKET CAPACITY

- Significant reduction in available markets
  - AGE Older (Lack of Updates)
  - Non-sprinklered
  - Less Favorable Construction
  - Cannot afford Re-insurance
  - Regulations prevent ability to obtain enough rate
  - Crime Scores





A financial candlestick chart is visible on the left side of the slide. It features red and green candlesticks representing price movements over time. A prominent blue line, likely a moving average or trend line, slopes downwards from the top left towards the bottom center. The chart is set against a dark background with a grid. Some text like '12M' and various numerical values are partially visible on the chart.

# INFLATION

- A \$10,000 claim five years prior is now a \$25,000 claim
  - Fluctuating material costs, supply chain disruptions, and labor shortages have led to significant variations in construction expenses
- Companies pricing models lagged relative to the spike in construction costs
- Undervalued Building Replacement Cost Values





# **LEGAL COSTS & INCREASED AVERAGE SUMMARY JUDGEMENTS, SURFSIDE COLLAPSE**

- Desensitization to Large Verdicts and Media Impact
- Negative Public Sentiment and Corporate Accountability
- Erosion of Tort Reform
- Attorney Tactics and Litigation Funding





# UMBRELLA MARKETS

- Risk Purchasing Groups
- Significant change in underwriting guidelines
  - Non-renewal & Non-compliance
    - 1. Non-sprinkler (> 6 Stories)
    - 2. No Central Fire Alarm
    - 3. No 24 Hour Front Desk Personal with Annunciator
- Price differential (\$10,000,000 Umbrella)
  - Risk Purchasing Group - +/- \$2,500
  - Standard Carrier (or Non-admitted) Umbrella - +/- \$15,000-\$20,000



# PROPERTY DEDUCTIBLES

- \$25,000 Deductible (The New Norm)
- Understanding the Bylaws and State Specific Condo Act





# AVERAGE PREMIUM INCREASE

- Prior two years the average premium increase range 10-30%
- 1st Quarter of 2025 (Projection are 10-15%)





# WHAT CAN BE DONE TO MITIGATE CLAIMS AND INCREASE THE MARKET AVAILABILITY?

- UPDATES, UPDATES, & UPDATES
  - Roof, Electric, Plumbing, & HVACs/Heating/Cooling
    - 1. Electric – Aluminum Wiring, Fuses & Federal Pacific Stab-lok Breakers
    - 2. Wood burning Fire Places
  - Reserve Studies
- Prevent Claims
  - Water Sensors
  - Water Damage Maintenance Programs
- Amending Your Bylaws
  - Deductible Language & Limitations
- Central Fire Alarm, Sprinkler Systems, 24 Hour Front Desk with Annunciator Panels





# NON-ADMITTED VS. ADMITTED

- Admitted
  - Filed Rates
  - State Guaranty Fund
- Non-Admitted
  - Wild, Wild, West
  - Premiums – 100%, 200, 500% + Higher





# QUESTIONS?

