



CASCO

Property & Casualty  
Insurance Discussion

June 6, 2024

Alliant Insurance Services  
[www.alliant.com](http://www.alliant.com)



A group of business professionals are gathered in a modern office setting, engaged in a discussion. A man with glasses and a beard is speaking, gesturing with his hands. A woman in a blue shirt is listening intently. Another man in a vest is also present. The scene is overlaid with a semi-transparent blue filter.

People with **vision** need partners who understand and share their vision.



# Introductions



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# Agenda

- › Introductions
- › Market Conditions Past & Present
- › Insurance Marketing Challenges
- › Key Factors for Successful Outcomes
- › Questions?
- › Exhibits:
  - Catastrophic Insurance Data
  - Alliant Services

# The Alliant Story

## Premier Specialty Broker



**\$4.2 Billion**  
Revenue



**\$37 Billion**  
Premium Volume



**52%**  
Employee Owned



**12,500+**  
Employees



9th  
Largest  
Global  
Broker

**5th Largest**  
U.S. P&C Broker

Clients First No Bureaucracy

Flat Structure Access to Management



# Real Estate & Hospitality

**\$1 Trillion**

Insured Values

**160+**

Real Estate Specialists

**50+**

Years in the Business

**National**

Presence

**APIP**

Largest Single Property  
Placement in the world

# Insurance Market Recap

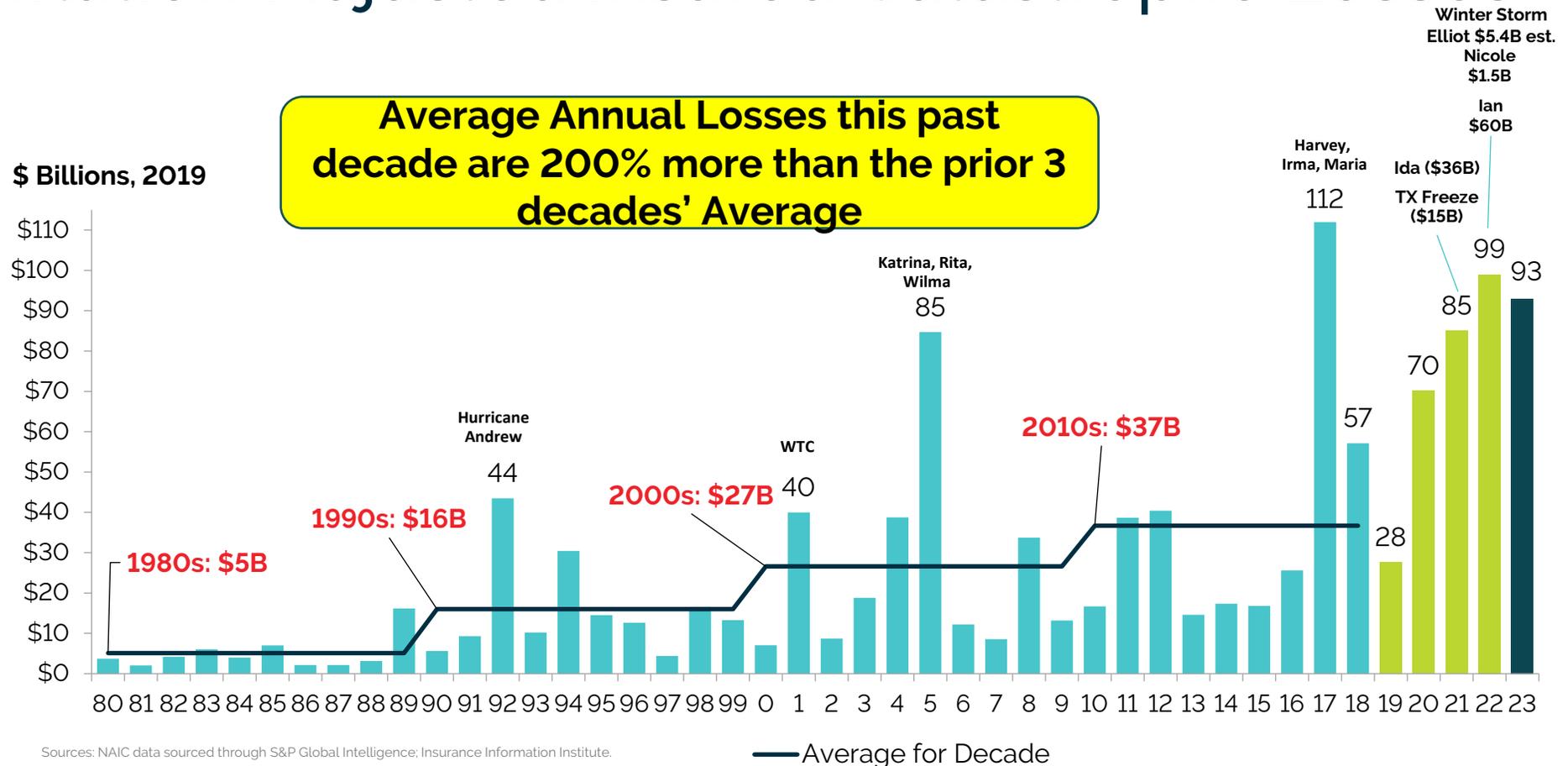
## How did we get here?

# Factors Contributing to Hard Retail Insurance Market

- › Q4 2017 market begins to harden with capacity constraints and terms following years of aggressive competition.
- › 2017 costliest year on record: Hurricanes Harvey, Irma & Maria; CA Wildfires.
- › Large losses on under valued blanket policies caused reinsurers to demand higher ITV ratios.
- › 2018 – 2020 market had further constraints from multiple hurricanes, wildfires and COVID-19.
- › Low interest rates impacted insurer's ability to earn investment income, leading to further reduced risk appetite.
- › 2021 rise in Social Inflation, deep freezes in TX, wildfires in California and Colorado.
- › Q3 2022 Hurricane Ian decimated insurance market leaving 2023 with unprecedented capacity restrictions and rate increases.

Exhibits attached provide more information on market factors

# U.S. Inflation-Adjusted Insured Catastrophe Losses



**The 2020s are off to an ominous start with \$85B in average annual insured losses (2020-22)**

**Insured Cat Losses Are Increasing At An Alarming Rate – Nearly 700% Since 80's Average Insured Loss per Year\* | 1980-2021: \$23.8 Billion | 2012-2021: \$44.1 Billion**

**Peak: May 2023 – trending back down since**

## Trend and Valuation

### Inflation & Claims

Property insurance, which is sensitive to inflation and rising construction costs, had an estimated 6-13% increase in claims payouts in 2022, with an additional 3.5-10% hike expected for 2023.

### Construction Cost Trends

Property insurance, which is sensitive to inflation and rising construction costs, had an estimated 6-13% increase in claims payouts in 2022, with an additional 3.5-10% hike expected for 2023.

## 2022 vs. 2021 Construction Cost Trends

**10.0%**

ENR - Building Cost Index

**22.0%**

FM - Composite July - July

**13.2%**

MSB - Average of all Construction

## 2023 vs. 2022 Construction Cost Trends

**2.9%**

ENR - Building Cost Index

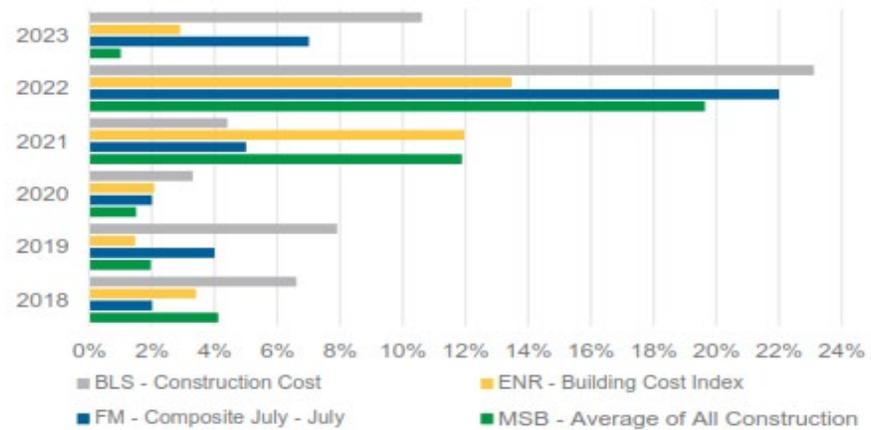
**7.0%**

FM - Composite July - July

**1.0%**

MSB - Average of all Construction

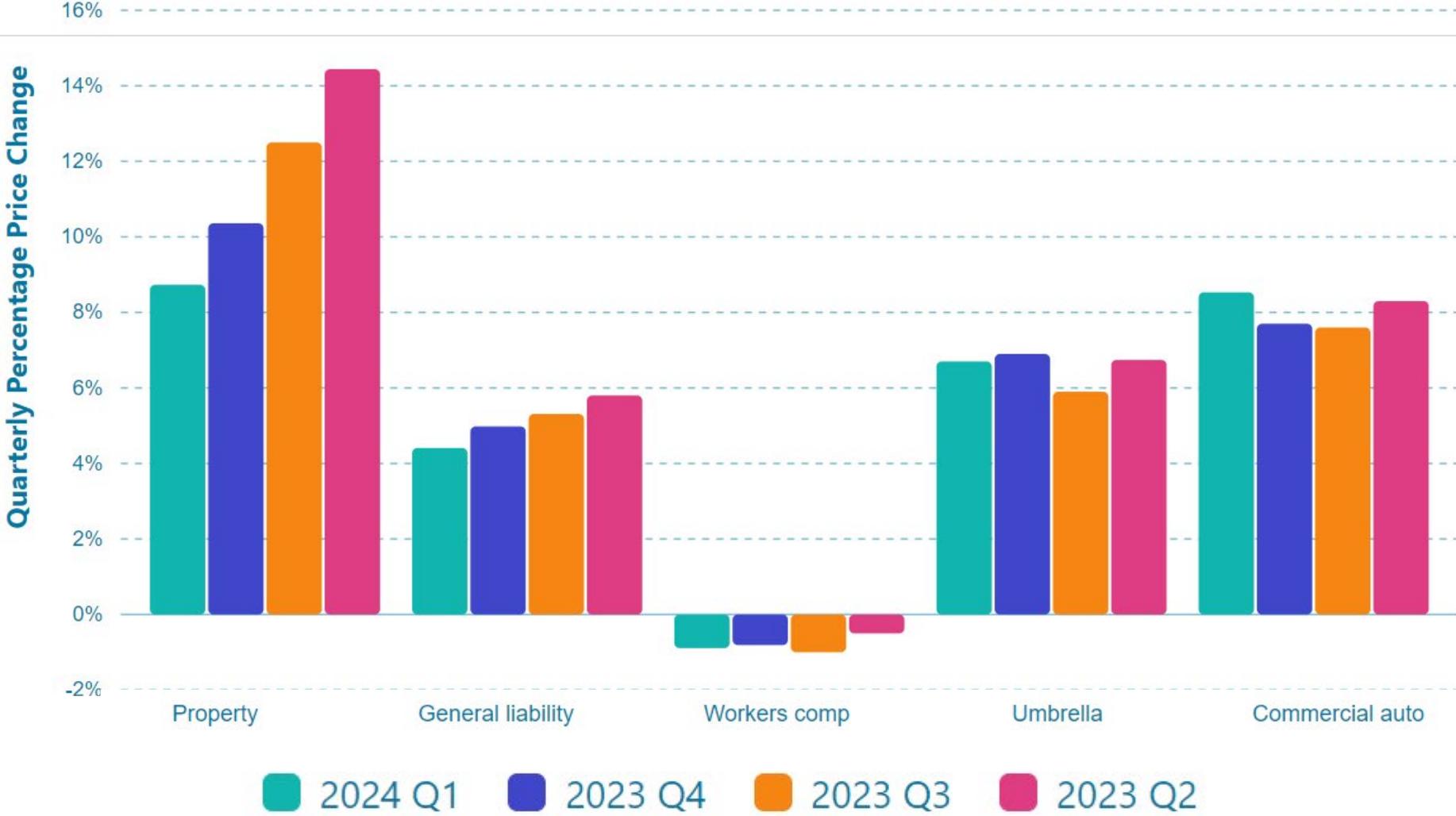
Construction Cost Trends July Yearly



- › Inflation has created new challenges for insureds and carriers
- › The insurance industry is faced with record increases in property claim costs, combined with increases in the time required to resolve claims.
- › Not indexing for inflation impacts the delta between replacement cost and property claims costs

# 2024 State of the Market To-Date

# Quarterly State of the Market: Source CIAB



# State of the Property Market

Q1 2024 results were markedly different than Q1 2023 results.

- › Real estate property renewals have been exceptionally **less volatile** than those experienced in the post-Ian environment of Q4 2022 and 2023.
- › **More capacity** is coming back into the property market due to a profitable 2023.
- › Unlike 2023, carriers have set **meaningful growth goals** for 2024 that have not been seen in several years.
- › New capacity out of London and Bermuda is putting pressure on **domestic market to be more competitive**.
- › **Rate increases** will still be the norm in 2024, but not at the levels of 2023.
- › Following years of coverage reduction due to limited reinsurance capacity, many insurers are not reducing coverage in 2024 – **coverage remains stable**.
- › **Proper building valuations** (ITV Scrutiny) remain key focus for insurers.
- › **Strict underwriting** will remain a priority for Commercial Real Estate Retail risk.

# State of the Liability Market

\$1,000,000 doesn't go as far as it used to...

## “Social Inflation” and Third Party Litigation Funding Driving Up Liability Rates

- › Changing societal attitudes towards corporate responsibility.
- › Increasing involvement of juries determining unreasonable damages.
- › Parties unrelated to a lawsuit (PE firms, Hedge Funds, etc) investing in a plaintiff's case in exchange for a cut of the settlement or judgement.
- › CA and Montana are only states requiring disclosure of litigation funding.

## Nuclear Verdicts

- › **What is it? Verdict with a damage award that surpasses \$10M**
  - › States with most nuclear verdicts FL, NY, PA, IL, CA, AL, NM, GA, WY, TX.
  - › 2015 to 2019 the average verdict more than tripled from \$64M to \$214M.
  - › Mean nuclear verdict for premises liability from 2010 to 2019: \$31.7M.
  - › 13 nuclear verdicts in IL since 2022 ranging from \$20.2M to \$363M.
- › **Feb. 2023 7-Eleven reached \$91M settlement in Cook County...**
  - › Vehicle drove through store front of 7-Eleven, pinning plaintiff between car and the building.
  - › Plaintiff sued 7-Eleven for not having bollards between storefront and parking spaces, despite being in compliance with local building codes and ordinances.

# Insurance Marketing Challenges

# Marketing Challenges for Retail Commercial Real Estate

- › **More carriers are exiting this class of business and carrier consolidation means fewer options.**
- › **Liability challenges:**
  - › Jurisdictional challenges on the liability side -- "Social Inflation".
  - › Higher jury awards and settlements for slip/fall claims.
    - › Ex: NJ Strip Center: Slip/Fall on ice with questionable TBI.
    - › Settlement \$3.5M -- \$1.5M contribution from LL – could not fully tender.
  - › Inability to tender or subrogate snow/ice removal claims.
  - › Crime rating in urban areas has more sophisticated modeling.
  - › Vacancy exposures.
- › **Property challenges:**
  - › Increase in water damage claims (i.e., vacant buildings/storefronts) leading to lower sublimits/higher deductibles.
  - › Insurers using more advanced tools for underwriting (drones, AI, etc) leading to more scrutiny on building valuations and quality of buildings.
  - › Roof condition is the new hot topic for 2024– poor roof quality = ACV on roof.
  - › Reinsurers imposing new restrictions on wind/hail.
  - › Lenders continue to impose unrealistic deductibles and CAT limits – negatively impacting insurance costs.
  - › Vacancy exposures.

# Key Factors for Achieving Optimal Insurance Renewals

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## Strong Loss Control Program

- › Ownership commitment and involvement.
- › Building and ground/parking lot improvement and maintenance.
- › Adherence to corrective recommendations by insurers.
- › Property management infrastructure.
- › Regular property inspections (critical for vacancy).
- › Tenant screening.
- › Caliber of 3<sup>rd</sup> party contractors and vendors.

## Consistent Claims Adjusting Practices

- › Investigation and timely, accurate incident reporting can effect claim outcome.
- › Regular claims review meetings should be required for larger accounts.
- › Location coding of claims and proper detail will help direct loss control efforts.

# Key Factors for Achieving Optimal Insurance Renewals

## Stringent Risk Transfer Standards

- › **Lease provisions**
  - › Tenants are demanding mutual waivers – finding a balanced approach is key.
  - › Indemnification/hold harmless and Landlord Additional Insured status.
  - › Comprehensive tenant insurance requirements.
  - › Including language that allows for modification of insurance terms by Landlord is important.
  - › Clearly defined maintenance and casualty/restoration provisions.
- › **3<sup>rd</sup> Party Contracts (risk transfer enforceability varies by state)**
  - › Important to consult lawyer and insurance advisor.
  - › Poorly drafted risk transfer may not hold up in court or be acceptable to insurers.
  - › Indemnification language and Landlord Additional Insured status (including Completed Operations).
  - › Need to enforce risk management protocols to facilitate tenders.
- › **All vendors, tenants, and contractors should provide valid COI and copy of endorsements annually**
  - › COI's are evidence only – endorsements are part of policies.
  - › COI's must adhere to lease and contract requirements.
    - › Example: Cook county snow remover had snow plow exclusion; broken ankle claim reserved at \$500k due to inability to tender.
  - › No vendor/contractor or subcontractor should be allowed on premises without valid insurance.
  - › NNN and Ground Lease Tenants should provide COI and Evidence of Property annually.

# Key Factors for Achieving Optimal Insurance Renewals

## Strategic Insurance Marketing Approach

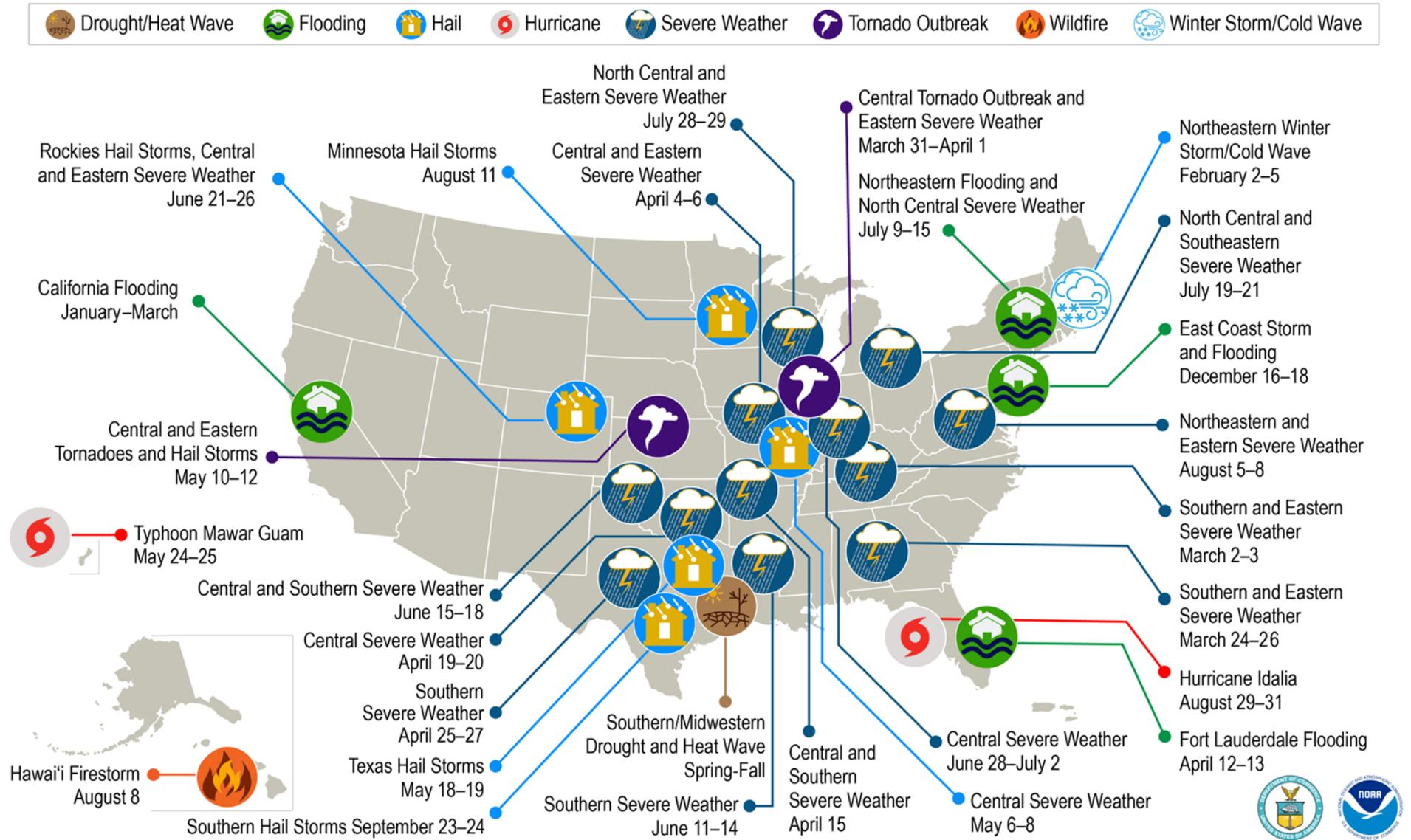
- › Compelling overview emphasizing account merits.
- › Detailed loss analysis including:
  - › Large claim statuses
  - › Illustration of corrected or eliminated exposures
- › Thorough “submission” to insurers:
  - › Accurate underwriting information (i.e., addresses, occupancies, construction and fire protection)
  - › Correct liability classifications (i.e., shopping center & parking vs lessors risk)
- › Strong broker/insurer relationships with the proper arsenal of insurers.
- › “Exhaustive marketing” to include insurers, program business, wholesalers etc.
- › Meeting with insurers for larger accounts.



Questions?

# Exhibits

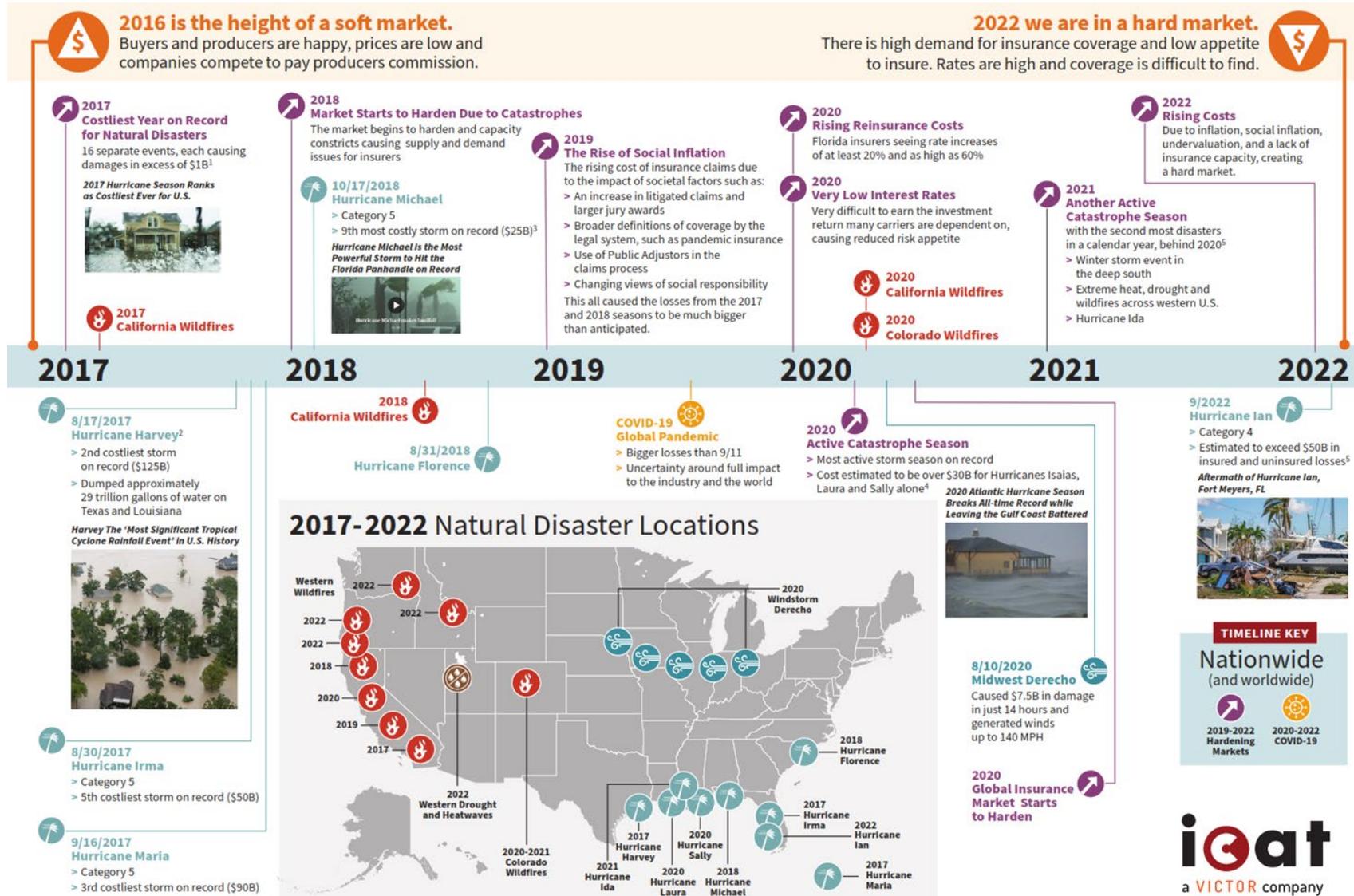
# U.S. 2023 Billion-Dollar Weather and Climate Disasters



This map denotes the approximate location for each of the 28 separate billion-dollar weather and climate disasters that impacted the United States in 2023.



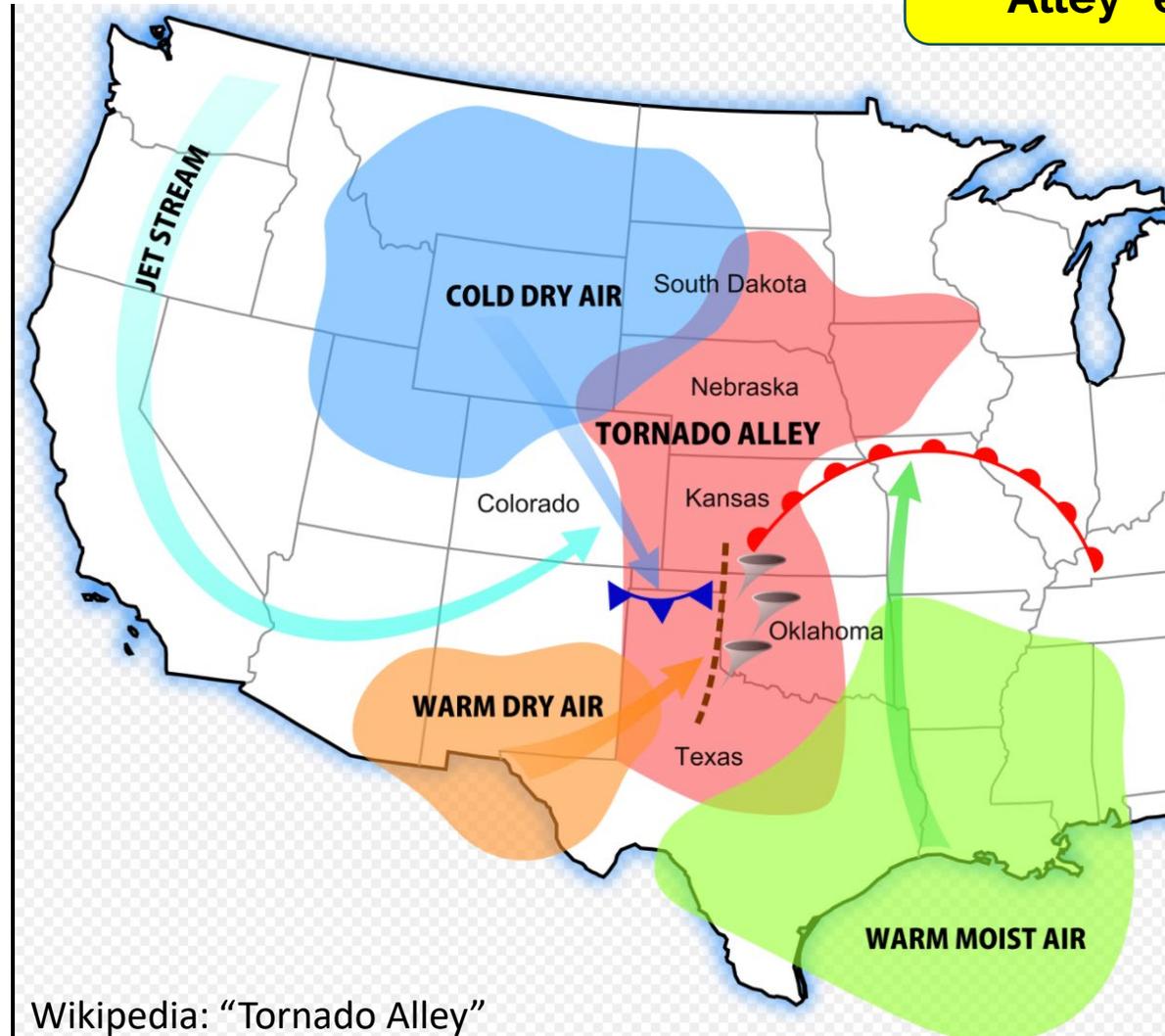
# The Makings of a Hard Market – Timeline





# Challenges: WIND / TORNADO

In El Niño Cycles – the “Alley” expands East

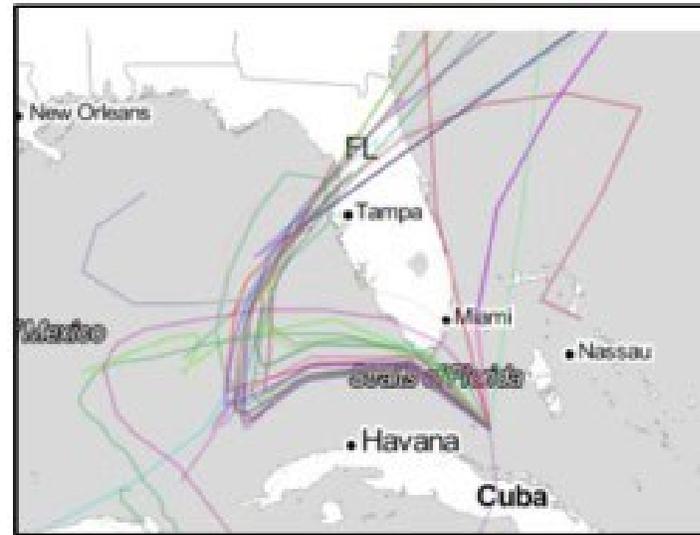
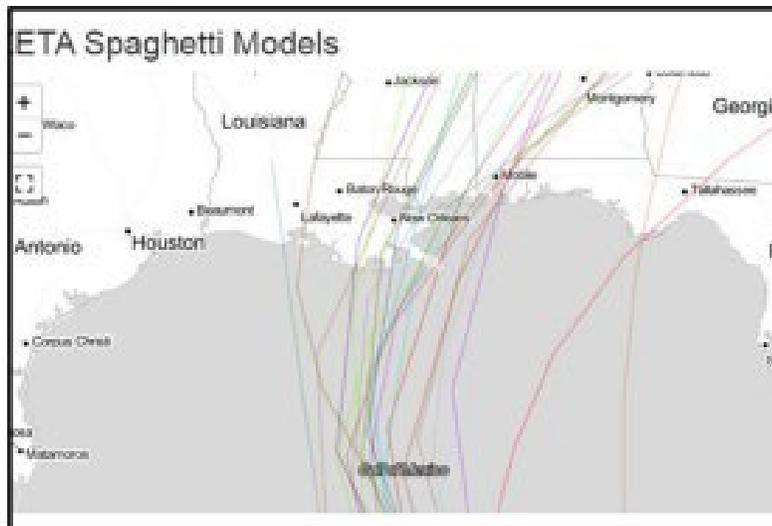


# Additional Alliant Services

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# Catastrophe Analytics

- Risk Management Solutions (RMS) software for all in-house Natural Catastrophe modeling
- Alliant Real Estate team provides proprietary updates for all catastrophic events
- Dedicated National Flood Insurance Program (NFIP) Specialist – 5,000 NFIP policies placed annually



**archipelago**

**Vandelay Properties**  
Dec 15, 2022 - Dec 15 2023

Share Stream | Manage Stream | View highlights | Reports | Documents

View data as of: Latest | Group properties by: | Compare changes since: 2022-03-03 | Clear | Export | Explorers

**Current properties** TIV: **\$9.0B** (100%) ↑ 4.56% | Properties: **169** ↑ 34.56% | Construction: | Occupancy: | Avg. floor area: **263k** | Avg. built year: **1985** By TIV | Historical loss cost: **0.25%** 5y avg.

Client ID	Building name	Image	Location	Geo-code level	Column Name
72-00001	4 South Marina Dr.		Los Angeles, CA	Roof Centroid	EQ F W
72-00002	66 Atlantic Blvd.		New York, NY	Roof Centroid	EQ F W
72-00003	72 California		San Francisco, CA	Roof Centroid	EQ F W
72-00004	21 N Williams		Portland, OR	Roof Centroid	EQ F W
72-00005	160 Summer Street		San Diego, CA	Roof Centroid	EQ F W
72-00006	902 Clark Street		Chicago, IL	Roof Centroid	EQ F W
72-00007	6 Jumkawala Place		Portland, OR	Roof Centroid	EQ F W
72-00008	27 Chen Research Center		New York, NY	Roof Centroid	EQ F W
72-00009	215 N Ave.		Atlanta, GA	Roof Centroid	EQ F W

Standard | Recommended

Country:

State:

Construction type:

Year built:

# Archipelago SOV Management

Alliant works with Archipelago to best support our clients and differentiate renewal submissions in insurance markets through high quality risk data. Archipelago is an AI-driven platform that digitizes, organizes, and improves property risk information.

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# Specialized Programs

**APIP** – World’s largest single property placement with a total insurable value of \$540 billion

**CSAC EIA** – Largest Earthquake placement in the world with an exclusive partnership for 30 years

**TASB** – \$30 billion Texas Named Windstorm placement with an exclusive partnership for 17 years

**HIP** – Exclusive Property and Liability platform with over 500K Habitational units

**NAREIT** – Provides National Association of Real Estate Investment Trusts member best-in-class primary Directors & Officers Liability insurance solutions with an exclusive partnership for 25 years

**REEP** – Exclusive custom-built Executive Risk solutions to real estate owners and investors with a broad coverage form

**EQ1** – Alliant facility that is premier provider of earthquake insurance solutions to the wholesale brokerage community

**Preferred Concepts** – Alliant high-limit umbrella liability program providing up to \$300 million of broad umbrella coverage for real estate and hospitality risks

**CAU** – Alliant Managing General Agency that is the leader in community association insurance and risk management solutions





## Construction Services

# #1 Construction & Contract Surety Broker

## Broker of Choice

For the largest Public, P3 and Private Projects in the U.S.

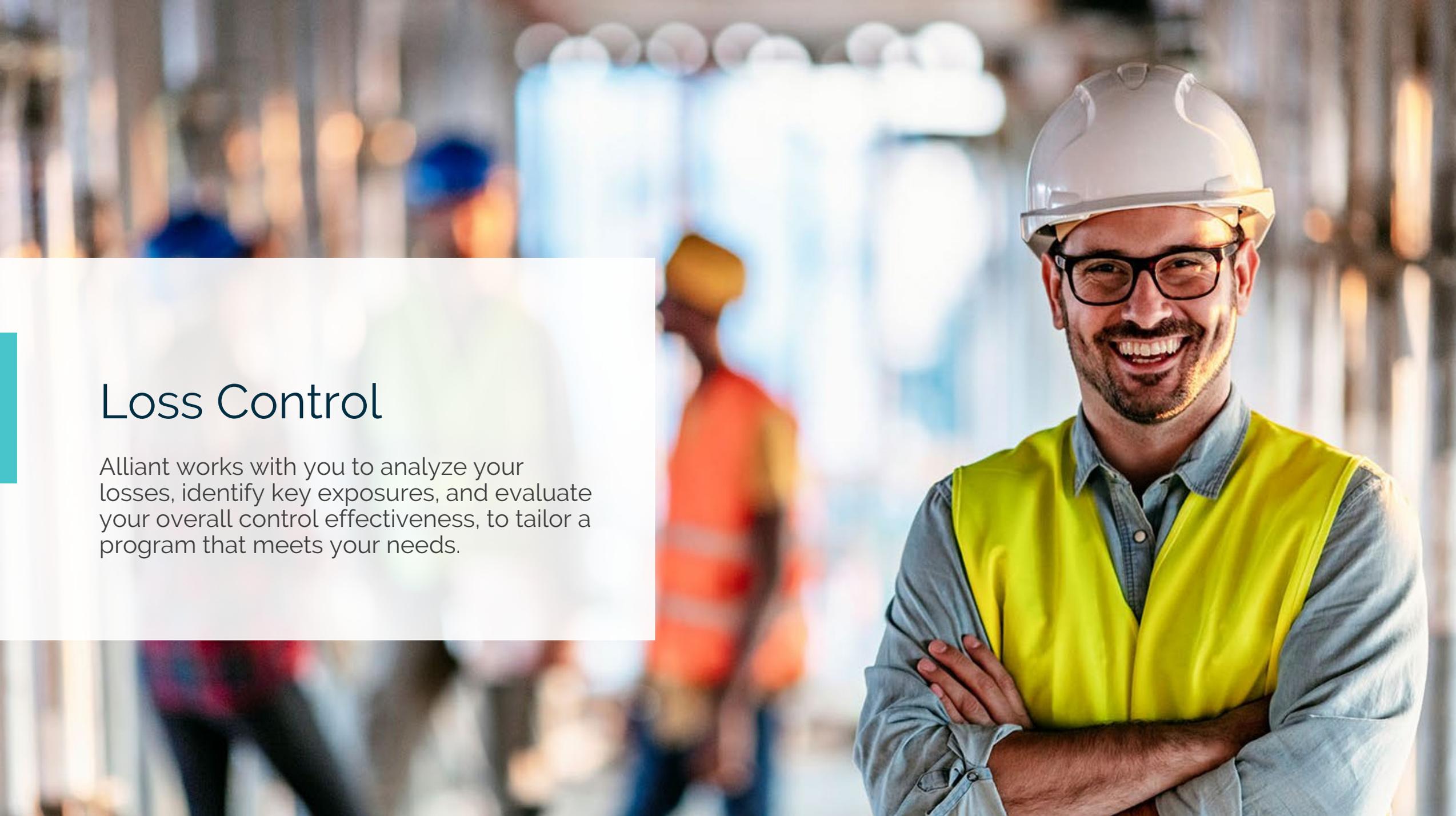
**\$2.2B**

Annual Construction Premium

**660+**

Construction Dedicated Employees



A man wearing a white hard hat, glasses, and a yellow safety vest over a light blue shirt stands with his arms crossed, smiling. He is in a factory or industrial setting with other workers and machinery blurred in the background.

## Loss Control

Alliant works with you to analyze your losses, identify key exposures, and evaluate your overall control effectiveness, to tailor a program that meets your needs.



# Loss Control

Consulting Services

## Service Planning

- Tailored service planning
- Losses, exposures, and controls
- Recommendations for improvement

## Fleet Safety

- Safety program development
- Accident trend analysis
- Consultation with telematics

## General Liability/Product Liability

- Contractual risk transfer
- Slip, trip, and fall prevention
- Life safety consultation
- Warnings and instructions

## Workers' Compensation

- Safety management assessment
- Hazard identification
- Compliance training
- Mock OSHA audits

## Property

- Fire protection plan review
- Sprinkler system consulting
- Human element programs

## Consultant-led Instruction

- Classroom: held at customer site

# What can Alliant Risk Solutions do for you?

1

Provide the Risk Management Center as a complimentary safety resource to further elevate your already proactive approach to safety and risk management, by providing additional tools and resources to deliver and manage your safety program.

2

Assist in the continuous improvement of safety program, including:

- > Implementation of a safety accountability program to further drive accountability and responsibility to all levels of the organization
- > Formal organization of a company-wide safety committee
- > Formalized return to work program

3

Provide valuable information on emerging trends, issues, and OSHA compliance updates.



## Claims Advocacy

Our claims advocates work in lock-step with our brokerage team to ensure claims are resolved in a swift and professional manner.

# Dedicated Claims Practice Groups



## Professionals With Legal & Claim Adjusting Experience

- Deep understanding of your business
- Knowledge of legal trends
- Proactive relationships with insurers



## Complex Claims Advocacy

- Innovative claim strategies and solutions
- Catastrophic claims response
- Claim seminars and training



## Claim Audits and Reviews

- Evaluate competency and effectiveness of claim handlers
- Interact with claim professionals to establish appropriate reserves
- Litigation management
- Loss development and projections

# Risk Management Center

Unique web-based software suite of safety and risk management tools designed to empower your organization's risk prevention efforts.

The screenshot displays the Alliant Risk Management Center interface. At the top, the Alliant logo is on the left, followed by the text "Risk Management Center" and "Powered By KPA". A navigation bar includes "Have a suggestion?", a welcome message "Welcome, Demo with Alliant Americas Demo", and icons for email, help, and user profile. Below this is a secondary navigation bar with "Dashboard", "Applications", "Resources", and "Administration". A search bar labeled "Search the Risk Management Library" is positioned to the right. The main content area is divided into two sections: "What would you like to do today?" and "Your Open Items". The first section contains three cards: "Alliant's COVID-19 Resources", "Alliant's COVID-19 Return to Work Playbook", and "Risk Management Content". The second section, "Your Open Items", lists four items with counts and right-pointing arrows: "2 Online training courses past due", "208 Open incidents", "12 New Alliant Americas Midwest ...", and "15 New documents in the library".

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# Risk Management Center Enables Employers to:

Meet OSHA hazard communication requirements

Access a best practices safety library

Train employees efficiently and effectively

Build a behavior-based safety program

Manage certificates of insurance to limit liability

Create job descriptions and modified duty programs

# Alliant Connect Client Portal

Complete insurance document management system with 24/7 access via a secure login.

- Policies
- Certificates
- Auto ID cards

