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Before COVID-19 was really even a thing, property insurance rates in California were on the rise.

Wildfires [1] had caused significant property damage (\$85 billion in 2017, \$400 billion in 2018, \$80 billion in 2019). As a result, both the cost to build property in California and the cost to insure it increased significantly. Rate hikes began showing up in the premiums we were seeing earlier this year (typically 20%-100%+ particularly in wildfire [1] zones).

When COVID-19 emerged in the U.S., it underscored the ever-present vulnerability insurers have to being held responsible to pay for claims they didn't intend to insure and never priced insurance to cover. For example, the political and legal quests for carriers to pay losses under business interruption coverage for "non-physical" damage to property and/or for infectious disease. This quest has been pursued regardless of what carriers consider to be "bulletproof" infectious disease policy exclusions.

Then, as if wildfires [1] and COVID-19 weren't enough, civil unrest in cities across America sent an additional surge of unanticipated, much less disputable, riot/civil commotion claims for insurance carriers to pay.

And now, besides the risks of wildfire [1], COVID-19, and riot/civil commotion, insurers are also scrutinizing current California catastrophic exposures such as earthquake risk. The pressure is on to adequately forecast the next catastrophic loss in the hopes of establishing appropriate insurance rates going forward.

What to expect.

Average property insurance increases are about 20% as of July 1, 2020. That means some

insurance buyers will see a lower rate increase and some will experience rate hikes that are much more than 20%.

For property risks that have had a significant loss (more than 50% of the property premium) or where there's catastrophic exposure to insure, the insurance market will be smaller than the market for loss-free property and for non-catastrophic risks. Underwriters will require more detail about the efforts taken to mitigate potential future losses. The coverage offered may be more restrictive. Values insured will be scrutinized for adequacy. Rate increases will tend to be more like 30% or higher.

What to do.

The story. There is an underwriting story that must be told on your behalf. This story is never more important than it is in a market where rates are increasing and coverage availability is limited. The story underwriters hear must be as compelling as it can be on your behalf. The stronger the evidence of risk and loss mitigation, responsible procedures, and a proactive willingness to "partner" with the insurance carrier to prevent future losses, the better the outcome. Know your compelling story and make sure your broker will tell it well in the marketplace.

Incumbent carriers. Insurance underwriters want to support their insureds, particularly those they have a good history with. Even in a loss-challenged season, incumbent insurance carriers often deliver pricing that beats the marketplace.

Loss mitigation. It will be important to present documented evidence of a well-considered, specific strategy to prevent losses...a wildfire ^[1]prevention plan, water damage mitigation program, and/or whatever else is needed to evidence an active plan to prevent the losses that have historically occurred or that are considered high risk in the current insurance market.

Higher, perhaps very high, deductibles. Research the impact of self-insuring a lot more.

Captives. Explore a captive to handle deductible buy-back losses or to insure uninsurable exposures such as, but not limited to, communicable disease business income loss.

Policy restrictions. America is experiencing a time of potential changes that may alter the insurance coverage currently in place. Beware. You may hear things like...carriers are restricting or removing coverage for riots and civil commotion. Or that the insurance market is going "back to basics" and "scaling back" policies. While policy restrictions may occur, many of these generalized assertions will not come to fruition. It's important to ask your insurance professional to review any changes to your existing coverage with you.

It's important to understand the issues and options surrounding the emerging property insurance market and work together with your broker and insurance carriers to come up with great solutions.

The best insurance solutions occur with advance notice and collaboration.

VANTREO is here to help. We stand ready to provide you with the information, education and tools to help you navigate the insurance market. If you would like more information or have any insurance or risk management question at all, just let us know. [Reply here](#) [2].

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