CRC Group
Wholesale & Specialty

Special Report

Away From the Coast

Rain, Wind and Fire Roil Property Markets

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Rain, Wind and Fire Roil Property Markets

Hurricanes dominated the headlines in 2017, but away from the coast, massive losses from thunderstorms, tornadoes and wildfires continue to roil the property insurance markets. Insureds that have become used to price cuts on non-coastal, non-cat driven business, now face possible rate increases and likely larger deductibles. Despite last year's near-record $92 billion in insured hurricane losses, insurers recognize that the overall losses from thunderstorms, and the hail and tornadoes that accompany them, can rival damages from named tropical storms. In the last year alone, non-coastal, non-cat driven risks saw record setting losses:

HAIL	SEVERE THUNDERSTORMS	WILDFIRES
$2.3B	**$25.4B**	**$12B**

Insurance costs for a May 8, 2017, **hailstorm** that pummeled Colorado's Front Range totaled $2.3 billion, a record for the Centennial State, according to the Rocky Mountain Insurance Information Association.[1]

Overall losses from **severe thunderstorms**, or convective events, in North America and including the Carribean and Central America came to $25.4 billion last year, with only about three-quarters covered by insurance, according to Munich Re.[2]

Insurance claims from **wildfires** that ravaged California last fall were near $12 billion, according to the California Department of Insurance.[3] Wildfires effected over 32,000 homes and 4,300 businesses, the department estimated.

Thunderstorms & Tornadoes

After years of repeated declines, the insurance market has bounced off the bottom, with underwriters seeking rate increases wherever possible. Rates have shown particular hardening for risks including frame apartments, municipalities, auto dealers' open lot coverage and wood products.

FRAME APARTMENTS

Depending on the risk, rates on frame apartments are flat to up moderately from the Dakotas south to Oklahoma, the Texas Panhandle, Eastern Colorado, and through the Southeast. More importantly, carriers are seeking specialized wind/hail deductibles, on a percentage or per-roof basis, for example. Carriers that have lost money on frame apartments in the past are holding firm on demands for larger wind and hail deductibles, and only a limited number of carriers are showing an appetite for these risks. While not as difficult as in the Midwest and Great Plains, frame habitational risks remain challenging west of the Rockies in areas such as non-coastal California. Standard markets may write newer, sprinklered habitational properties in California, but older properties and those with losses are more difficult to place.

MUNICIPALITIES

Higher deductibles and rate increases are also impacting the municipal market in areas at high hazard risk from tornados and hail. Properties owned by cities and states, including schools, are often looking at deductibles between 1 percent and 3 percent instead of flat dollar amounts.

AUTO DEALERS

Hail poses a severe risk to new vehicles stored on outdoor lots, making dealer's open lot coverage difficult in thunderstorm-prone areas of Oklahoma, Texas and Colorado. Some insurers have pulled out of the market, which is dominated by programs with the few excess and surplus carriers that show an appetite for these risks. Carriers are often seeking per-car deductibles, which are typically aggregated.

WOOD PRODUCTS

Deductibles are also the theme for the wood products market. After a large standard carrier pulled out of this segment, the need for wholesaler market access is increasing. Given the fire risk, carriers want higher deductibles, though on a flat dollar basis rather than percentage, with a typical minimum of $25,000.

Wildfires

General commercial property coverage in California remains readily available with a number of markets willing to write that business. But it can be a very different story for properties located in what has become now more widely known as the wildland-urban interface zone.

The fires that ravaged residential areas of Santa Rosa in northern California and Ventura and Santa Barbara in southern California have made carriers more cautious. Carriers are looking closely at not just grass and scrub land areas, which are highly susceptible to fire, but wider areas where winds can spread fires into residential and commercial areas beyond the brush-covered hills.

Hurricane-force winds last year drove fires from undeveloped hills into suburban and urban areas in the big Northern and Southern California wildfires. Carriers may be willing to accept a small number of properties near a brush area as part of a larger schedule, but they will apply a higher deductible.

Carriers are also becoming stricter about insurance to value, and more serious about non-renewing insureds that were underinsured and are having difficulty rebuilding as a result. Insureds whose policies were based on discounted values now face sticker shock as carriers insist they insure against a higher value. The fires have also made ingress-egress coverage a bigger issue. The standard coverage for up to a mile proved insufficient in cases where a freeway closure impacted businesses 10 miles or more away.

CRC'S PROPERTY BROKERS ARE PREPARED TO HELP YOU AND YOUR CLIENTS NAVIGATE THE DIFFERENCES FROM REGION TO REGION AND RISK TO RISK.

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Endnotes

1. Colorado's most costly catastrophe one year later, RMIIA, May 7, 2018, see: http://myemail.constantcontact.com/Insurance-News--Colorado-s-Most-Costly-Catastrophe-One-Year-Later.html?soid=1101922548008&aid=kmX6vINSKBU

2. Hurricanes cause record losses in 2017, Munich Re, Jan. 4, 2018, see: https://www.munichre.com/topics-online/en/2018/01/2017-year-in-figures

3. California statewide wildfire insurance claims nearly $12 billion, California Department of Insurance, see: http://www.insurance.ca.gov/0400-news/0100-press-releases/2018/release013-18.cfm

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