



MARKET UPDATE

APRIL 2019

NAVIGATING A TURBULENT START TO 2019 (CALIFORNIA AND FLORIDA)

BY JOHN PAOLINI, CEO | APRIL 8, 2019

On August 29, 2018 we issued a **BridgePoint Market Update** to our clients and business partners titled **“Insuring Successful Families: Change, Change and More Change.”** The article was intended to summarize the significant changes that took place over the past two decades in the segment of the insurance market that caters to successful individuals and families. We concluded the article with a somewhat grim prediction for 2019.

“More Change Ahead – 2019 Troubling Forecast

The volume of catastrophic events between 2012 – 2018 directly impacted many high-net-worth communities in NY, CT, NJ, NC, FL, TX and CA.....Several companies have built significant concentrations of risk in catastrophe prone areas. These carriers are preparing their agents for highly targeted cancellation campaigns, which will reduce their exposures. They simply can’t afford to absorb this volume of claims again.

Families with residential properties in CA and FL will be the hardest hit at the end of 2018 and throughout 2019. Depending on their current insurance company, they are likely to experience double-digit rate increases and may be subject to sweeping non-renewals. There will be a massive rush to market as many families scramble to find appropriate and cost-effective solutions.”

Unfortunately, as we turn our focus to April 2019, we are seeing more concerning trends beyond filed rate increases. Some carriers are now adding different underwriting restrictions and are working to lower their overall exposure in California and Florida. AIG Private Client Group is one of the first specialty insurers to introduce meaningful premium changes, new restrictions and non-renewals in California. They are also communicating changes in Florida that will limit their ability to compete in certain areas of the state. While AIG is the first carrier to make such changes, we continue to anticipate similar actions from other specialty insurance companies in 2019.

This will all combine to create placement challenges in various communities in both states. The ‘*Cost of Insurance*’ is rising quickly in California and Florida. Our team is encouraging clients, who are in the process of purchasing new homes, to secure homeowner quotes before committing to a new sales contract. We want everyone to be fully aware of the current insurance conditions so that they can make fully informed decisions.

California – Wildfires, Earthquakes and Mudslides...What Else Could Go Wrong?

California policyholders have enjoyed a competitive marketplace, rich with admitted carriers who have been working to outdo each other for the past decade. In other words, the California market has been particularly “soft” as companies have offered comprehensive coverage with low deductibles and stand-alone carriers have entered the marketplace with cost-effective solutions.

However, in 2018 Californians witnessed the deadliest and most destructive wildfires in the state’s history. The Camp and Woolsey fires claimed 82 lives and produced approximately \$9 billion - \$13 billion of insured property damage losses. Some industry experts are suggesting final property costs could reach as high as \$19 billion.

While related damages have been less costly, ensuing mudslides and flooding have also plagued a few affluent communities. As carriers are still assessing the billions of dollars in damages from the wildfires and mudslides, they are also preparing for a potential catastrophic earthquake event.

These factors have quickly created “hard” market conditions with admitted homeowner carriers modifying their approach, imposing significant rate increases, actively non-renewing policies and introducing restrictive new business guidelines. AIG Private Client Group, Chubb, PURE, Cincinnati and Nationwide Private Client are selecting their new risks carefully, evaluating numerous factors: wildfire probability, geological data and home characteristics. While AIG has already introduced stricter guidelines, significant premium increases and targeted non-renewals, we anticipate some of the other carriers to follow suit. Chubb has made 2 separate 6.9% rate increases between 9/21/18 and 1/11/19. PURE has also received approval for an upcoming rate increase (we believe it will be in the 5-8% range).

During the first quarter of 2019 our team has also been contending with higher minimum deductibles, special wildfire pricing, and/or elimination of certain coverage enhancements. Inevitably, the Excess and Surplus lines carriers (e.g. Lloyds of London, QBE, etc.) will play a vital role in the marketplace for homeowners in challenging locations. This is quickly becoming a reality for clients living in high-hazard wildfire and/or earthquake zones.

Florida – What Did the Wind Blow In?

Overall, the Florida market appears to be less turbulent than California. However, we believe Hurricanes Matthew (2016), Irma (2017), and Michael (2018) will eventually cause most companies to reevaluate their pricing and risk aggregations across the state.

While the more established carriers (i.e. AIG, Chubb, and PURE) took steps over the past 5-15 years to manage their capacity in coastal areas, we fully expect to see some meaningful changes introduced in 2019. Our team is actively addressing rate increases and significant underwriting restrictions introduced by AIG during the first quarter.

In the past 2-3 years we have seen new insurers enter the market with the mission of serving successful families. New market entrants include Nationwide Private Client and Vault. Cincinnati Insurance has reentered the state with a revised strategy. We anticipate Berkley One to launch their first Florida products later this year. These newer companies are welcomed and viable additions to a complicated market but each of them presents their own set of limitations. Collectively these carriers will not likely be in position to accept the large volume of business that will need to be remarketed throughout 2019.

Risks which would normally be placed in an admitted market are now only accepted by Excess and Surplus companies. These non-standard policies typically provide less coverage. So, it is even more critical to have an experienced agent review policy language. A trained eye will be able to highlight restrictive policy language; limiting or eliminating coverage for screen enclosures, hardscape, dog liability, and foundation settling while applying large special deductibles for wind and sinkhole.

BridgePoint Risk Management – Listen. Advise. Exceed.™

Our team has extensive experience managing risk in catastrophe-exposed states. We have long maintained significant books of business with the specialty providers who actively serve successful families. We are fully prepared to help our clients navigate the hardening markets in California and Florida.

We are currently working with our admitted carriers and Excess and Surplus lines wholesalers to provide creative solutions for our existing and prospective clients. We have also developed a few unique loss prevention and claims response services to further assist our clients when they need us most.

Our standard renewal service anticipates market changes. We will continue to contact you in advance of your renewal date to provide current updates and alternative options for your consideration. Please remain confident knowing your BridgePoint Client Advisor and dedicated Account Executive have your best interests in mind, always.

I want to thank you once again for choosing BridgePoint Risk Management as your preferred insurance advisor. As always, please do not hesitate to call us with any immediate questions or concerns.

Client Advisor	Location	Phone	Email
Jimmie Banta	Pasadena, CA	567.402.4295	jbanta@bridgepointrm.com
Ryan Barker	Carlsbad, CA	419.794.2414	rbarker@bridgepointrm.com
Dawn Cearlock	Wilmington, NC	419.794.1068	dcearlock@bridgepointrm.com
Jeff Elliott	Greenwich, CT	203.274.8115	jelliott@bridgepointrm.com
Erin Powers*	New York, NY and Los Angeles, CA	646.876.9353	epowers@bridgepointrm.com
John Pugliese	Newport, RI	419.794.3410	jpugliese@bridgepointrm.com
Leighann Sargent	Phoenix, AZ	480.776.7819	lsargent@bridgepointrm.com
Bobby Schwarzkopf	Maumee, OH	419.794.1083	rschwarzkopf@bridgepointrm.com
Nathan Sheets	Fort Wayne, IN	419.794.7866	nsheets@bridgepointrm.com
Josh White	Naples, FL	239.316.4367	jwhite@bridgepointrm.com

*NOTE: Erin Powers leads BridgePoint's Sports & Entertainment Practice