

## Coverage cuts, digital claims and other changes impacting the P&C market

### Digital Insurance

The proliferation of risks impacting the property and casualty insurance market means that insurers have to be constantly aware of the latest developments that are reshaping their business.

On the West Coast, the California Department of Insurance (CDI) announced in March a sustainable insurance strategy proposal that would allow the use of catastrophe (Cat) modeling to improve the availability of coverage. The move, however, did not prevent State Farm from announcing on March 26 that it was cutting 72,000 policies in the state, citing wildfire risks.

“State Farm’s latest action seems more related to their larger fiscal situation nationally than the pace of the administrative procedures around the Cat modeling and reinsurance pass through regulations,” Amy Bach, executive director of United Policyholders (UP), recently shared via email with Digital Insurance.

Bach has long been skeptical about the merits of Cat modeling, writing in a July 2023 letter to CDI attorney Jon Phenix, “We firmly believe that allowing the unfettered use of Cat models for rate setting will create more problems than it will solve.”

Instead, Bach proposed that the CDI should allow insurers to apply a trend factor to past catastrophe losses to recognize the increase in wildfires, or an industry-wide catastrophic loss experience model.

The increase in secondary perils like wildfires is one of the key insights in Marsh McLennan Agency’s 2024 Commercial Property Insurance Trends, which highlights the significant factors influencing the commercial property industry and outlines strategies for navigating these challenges.

The report cites AM Best, which shares that secondary perils account for higher total losses than primary

perils. Tornadoes, hailstorms, flooding and wildfires are among the secondary perils posing significant risks, with floods ranking as the highest loss leader in the United States.

The Marsh McLennan report highlights how accurate risk assessment is paramount in informing decisions regarding coverage modifications and loss prevention strategies. It also emphasizes data utilization in diversifying risk management portfolios.

Meanwhile, the J.D. Power 2024 U.S. Property Claims Satisfaction Study found that customers are taking advantage of the greater availability of digital tools to file claims faster, but that this does not necessarily lead to increased satisfaction, as repair wait times are still typically longer than expected.

“These types of digital solutions (claim reporting, photo submission, digital status updates) can absolutely help improve the cycle time and efficiency of a claim (both actual and perceived),” said Mark Garrett, director of claims intelligence at J.D. Power. “Insurers need to focus on setting proper expectations of how the process will work and make sure they are getting the right content to customers at the right time and in the right channels.”

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