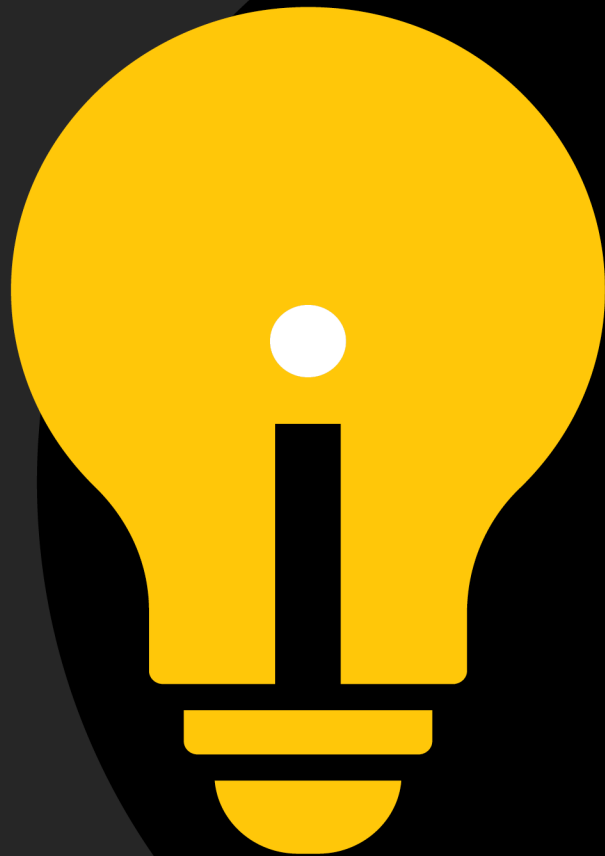


NAIC | INSURANCE 2022 | SUMMIT



HOW SUPPLY CHAIN ISSUES ARE IMPACTING INSURANCE

- Amy Bach, Esq. *United Policyholders*

September 21, 2022

NOT A NEW PHENOMENON



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Supply Chain Resilience 2011

An international survey of more than 550 organizations from over 60 countries, which considers the causes and consequences of disruption, the techniques and approaches to identify key supply chains, and methods to gain assurance of resilience capability



3rd Annual Survey
Published November 2011





FACTORS THAT SHOULD HELP...

- Extended replacement cost endorsements
- Inflation protection endorsements
- Regulations and laws that require insurers to thoroughly, timely and fairly investigate every claim
- Voluntary deadline extensions by insurers
- Rate adjustments, CAT load factors



P&C SECTOR

“The insurance industry is experiencing hard market conditions characterized by supply chain bottlenecks and inflationary pressures. These conditions impede carriers from operating efficiently through increased input and labor costs alongside delays in processing claims. Subsequently, carriers face unexpected financial hurdles combined with reputational damage thereby eroding short and medium-term profitability alongside reduced customer loyalty.”

Reuters Insight: Insurance, 2022



CONSUMER IMPACT

- Delays
- Frustration, anger, blame
- Property remains damaged and unusable longer than anticipated
- Worsens problem of inadequate coverage (underinsurance)
 - Policyholder can't replace/repair within time limit to collect RCV benefits
 - Policyholder runs out of temporary living expense (ALE) benefits
 - Inadequate coverage on dwelling exacerbated



A PRESCRIPTION AND A DISCONNECT

“Offsetting market pressures requires technological solutions to drive productivity through increasing operational capacity and/or reducing costs. Reuters Insight research explores why carriers at the beginning of a digital transformation process should prioritize investing in Claims Management Systems (CMS), whilst insurers that have already embarked on digital transformation should prioritize doubling down on investing and implementing Advanced Analytics and AI systems.”

Reuters Insight: Insurance, 2022

CONSUMER IMPACT

Mobile inspections have been in common use for automobile claims for many years. Traditionally, mobile inspections were not used often for property claims on buildings such as homes and businesses, but the COVID-19 pandemic accelerated its use in property claims...Insurance companies are now making another large push to start using mobile inspections regularly within the claims process.

Mobile inspections are less costly for a claims department to administer and can help to expedite parts of the claim servicing process. However, it is important for policyholders to be aware of the possible disadvantages that mobile inspections may present in some claims, in relation to accurately identifying and documenting damages, and valuing the loss. Some damage may not be visible through a mobile inspection, such as if damage is hidden behind walls or other barriers, and/or the virtual inspection may be limited by the insurance carrier themselves as to what gets inspected.

XACTIMATE, SYMBILITY,

"Xactimate mobile is the first fully realized mobile estimating app. It allows professionals to build an estimate from start to finish from their iOS device, and it works seamlessly with Xactimate's online and desktop platforms."

Utilizing logic-based questionnaires, our algorithms can be applied to generate custom loss specific estimates in a fraction of the time than the standard estimate construction today. (<https://www.symbilitysolutions.com/symbility-property/our-products/mobile-claims/#features>)

"Xactimate Demystified"

Xactimate® software is owned/sold by the Insurance Services Office, ("ISO"), a member of the Verisk Analytics family of companies which perform a wide range of modeling, rating and policy-related services for the insurance industry...Xactimate®'s pricing is often too low and does not always reflect up-to-date market conditions. Your insurance company is likely to turn an Xactimate® estimate into the settlement offer they make to you. That means that if the basis of that estimate was inadequate or incomplete the resulting settlement offer will leave you short of what you are entitled to under the policy" <https://uphelp.org/claim-guidance-publications/xactimate-demystified/>



REALITY CHECK:

A computer can't match the skill set or expertise of a trained human being with the ability to visually inspect, assess and measure damage to a structure (home or business) caused by a weather (or other) event...

No algorithm or AI can measure what hail, wind, smoke or water has done to a structure

THE ROOF RUCKUS

“In the roofing industry, there are consequences of shortages to EPDM, TPO, PVC, and sealants in terms of the cost of roofing and exteriors restoration projects, the timeline to complete repairs, and the indemnification of insured property owners... Our recommendations are to fully account for the increased costs and extensive delays caused by global supply chain shortages and to make accommodations to the restoration contractors and policyholders to avoid even further exacerbation of disruptions flowing from wrongfully underpaid or denied P&C insurance claims.

Source: <https://www.roofingexteriors.com/industry-op-ed/how-adjust-property-casualty-claims-amidst-global-roofing-exterior-materials>

OCTOBER, 2021:

EPDM Membranes and Accessories only – Shipments of EPDM polymers have been greatly affected by hurricane Ida. Delivery dates are out to March/April 2022 TPO Membranes and Accessories only 45 mil–Delivery dates are out to **September/October 2022**

PVC Membranes and Accessories Standard PVC – Delivery dates are out to **March 2022**

F5 Air & Vapor Barrier – Delivery dates are out to **May 2022**

1-Part Pourable Sealant – Delivery dates are out to **March/April 2022**

Fasteners/Plates/Term Bars – Delivery dates are out to **June/July/August 2022**

April 21, 2021 customer letter from ABC Supply Co. Inc., "Steep slope roofing manufacturers have announced their third price increase of 2021. The most recent is for all orders shipped on or after June 14, 2021, regardless of the order date. ABC Supply will raise prices on all shingles and related accessories **five to seven percent** for deliveries on or after June 14, 2021."

CONSUMER IMPACT

www.travelers.com/claims/guides/understanding-depreciation

Submitting a Request for Recoverable Depreciation *[Translation: Collecting benefits equal to what it actually cost to repair/replace damaged or destroyed property]*

In most instances, you should notify your Claim professional of your intent to recover your depreciation within 6 months or 180 days of the date of loss. In some states, and depending on your policy, the length of time to do so may be longer or shorter. If you aren't sure about the amount of time you have, just ask your Claim professional to provide guidance.

Where insurer owes recoverable depreciation, giving the ph an extension of time to collect doesn't cost the insurer more

CONSUMER /INSURER IMPACT

Where a repair/rebuild can't be completed timely b/c materials are unavailable due to supply chain problems, it costs **both** the consumer and the insurer.

- Temporary living expense benefits run out, ph needs an extension
- Project costs increase
- Where structure was underinsured, increased costs worsen the problem

ARE SUPPLY CHAIN PROBLEMS SUBSIDING?

- Depends on which products and who you ask



RECOMMENDATIONS

Police fraud by roofers, contractors AND insurers

Touchless property loss adjusting is almost never appropriate for a CAT or serious property damage loss

Market Conduct Examinations, focus on fair adjustment and estimating practices

Promote group rebuilds and bulk materials purchases after wildfires, for economies of scale (CO)