



National Association of Annual
Conference Treasurers



United Methodist Insurance Program

Powered by Sovereign Insurance Group

Insurance Market Update

NAACT Annual Meeting
September 2024

Presentation Overview

1. What's Happening in the Insurance Market? Is it really that bad?
2. Recommendations for Churches
3. Recommendations for Conferences



Section 1

Current Insurance Marketplace

Current Market Challenges

- Lack of carrier profitability
- Constricted carrier appetite
- Industry wide catastrophic property claims
- Churches not seen as an ideal “target market” for insurers due to class of business, deferred maintenance, and property claims.



Carrier Profitability Challenges

- Continued lack of carrier profitability
 - GuideOne has retained its AM Best rating but has a Negative Outlook
 - Church Mutual has retained its rating but has a Negative Outlook
 - Brotherhood Mutual has a B++ rating but has a Stable Outlook
 - Carrier pricing was not keeping pace with costs



Carrier Profitability Challenges

- Continued lack of carrier profitability
 - Underwriting losses reduce surplus which reduces capacity to accept risk
 - Profitability has become more important than premium
 - How are they attempting to become profitable?
 - Increasing prices in an effort to become profitable
 - Changing terms and conditions to transfer some risk back to insureds
 - Shedding risks where they have concerns about their exposure

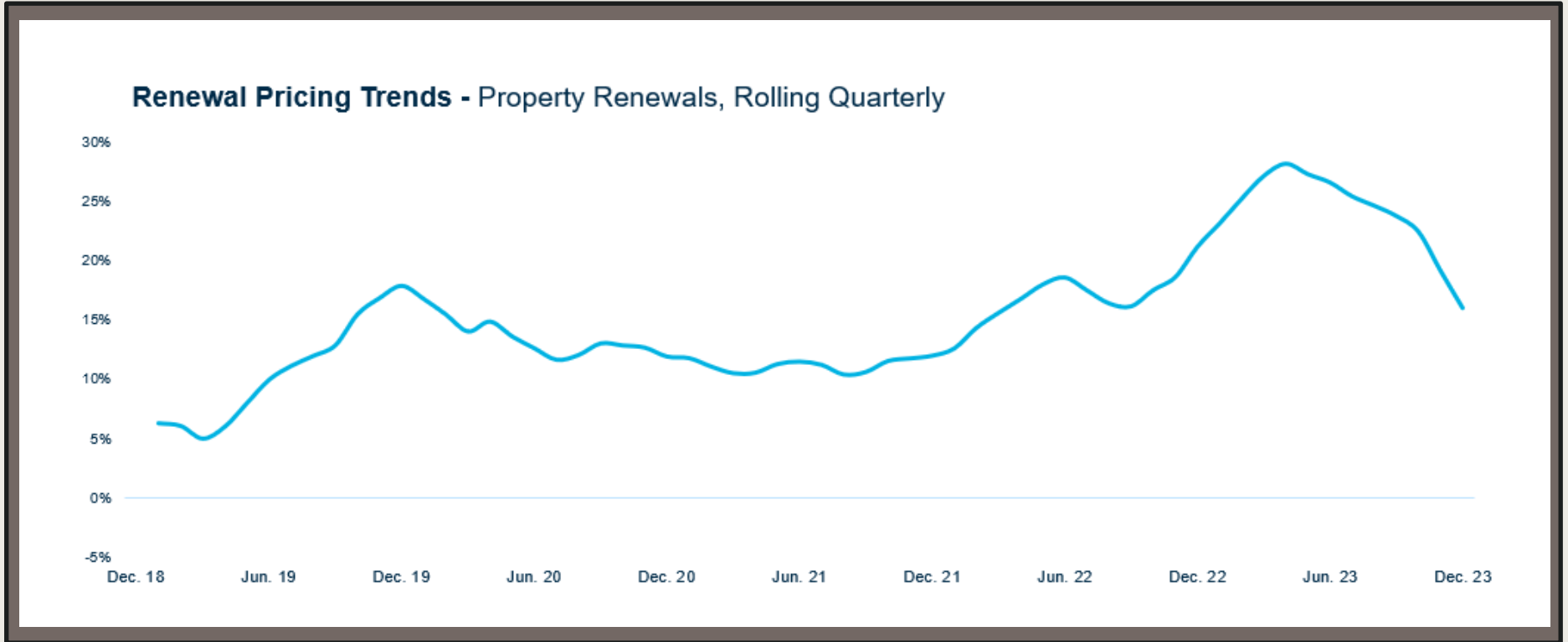


Property Challenges

- Factors affecting the cost of property insurance
 - Inflation leading to increased costs of repairs and reconstruction
 - Shifting population to areas with high risk of loss due to wind, hail, and storms
 - Increased storm and wildfire activity
 - Winter storms over the past 5 years have contributed to carrier lack of profitability with frozen pipe claims.



Today's Insurance Market



Source: [Property Market Conditions Expected to Slow and Even Out as Year Progresses \(amwins.com\)](https://www.amwins.com)



2023 US Insured Natural Disasters

- 67% of global insured losses recorded in United States (75% of Global in '22)
- Insured Losses - \$80 Billion (40% above 21st century average)
- Billion Dollar Loss Events – 28 (highest year on record)
- Severe Convective Storm Outbreaks - \$58 Billion (costliest in US history)



Liability Challenges

- Factors affecting the cost of liability insurance
 - Social inflation
 - Carrier appetites dwindling due to sexual abuse
 - When the need arises to split out property & liability, there isn't enough premiums for carriers to be open to providing a standalone option
 - Litigation costs are increasing
 - Research Nester – litigation funding may exceed \$50B by 2036
 - Attorneys are using the web to “hijack” claims and file suit against carriers
 - [The Verdict Is In: Third-Party Litigation Funding Contributes to High Home Insurance Rates \(bankrate.com\)](#)



Liability Market

- Better than property – but still not great
 - The same profitability issues affect this line to a lesser extent
 - General inflation and medical inflation create upward pressure on rates
 - “Nuclear” verdicts (\$10,000,000+) reached a 15-year high in 2023*
 - 27 “Thermonuclear” verdicts exceeded \$100,000,000*

* [2024 Midyear Market Outlook: General Liability Insurance \(insurica.com\)](https://www.insurica.com)



Section 2

Recommendations for Churches

Tips to Mitigate the Market's Impact

- Understand reality for what it is, not what we hope it to be.
- Pay your premiums to keep your coverage in place.
- Be proactive



It's a Different World

- 5 years ago, if facing a non-renewal, the likelihood is that you would have many options. Today that has changed significantly.
- Value your current coverage, even if it increases, it still might be the best available.
- Plan for the worst-case scenario, hope & pray for the best.



Do Not Let Your Coverage Lapse

- Previously, insurance carriers would typically reinstate your coverage in the event of nonpayment of premium.
- Today, often, they will use it as a justifiable excuse to stop writing your coverage.
- It's possible that your current insurer only agreed to renew your coverage, not to write you "new" – by not paying your premiums you've limited your pool of limited insurers.



Start Early

- If facing a non-renewal, we recommend you starting 90-120 days in advance.
- If too quick a lead time, many insurers will decline to review.



Shopping Tips

- Prepare as much information as you can (age, updates, etc.)
- Explain large losses and steps taken to prevent reoccurrence
- Pick an agent that knows churches and can access many markets
- Be transparent about your situation, by keeping your “cards close to the vest” many qualified brokers will opt not to work with you.



Shopping Tips (2)

- Get as close to the GCFA recommendations as possible
- Don't skimp on liability coverage – can place church and AC at risk
- Get a current property valuation. Deliberately underinsuring your properties can cause problems not only in coverage at time of loss, but also in your desirability to insurers.
- Explore valuation options – especially if you would not rebuild or would rebuild a less expensive building



Risk Mitigation Tips

- If you can't afford to maintain and insure your building look at options
 - Share space and costs with other UMC churches, denominations, non-profits
 - Find alternative sources of revenue – GCFA has several great partners that can help
 - Sell (if possible) and downsize or find shared or rented space



Section 3

Recommendations for Conferences

Recommendations for AC Programs

- Prepare for renewals early
- Consider other options and providers
- Encourage your trustees to be open to new ideas
- Plan well ahead if you intend to disband a program
 - Make sure small churches aren't left to fend for themselves
- Take advantage of all the free resources a carrier and agent have to offer
- Make sure values are current and accurate



Recommendations for AC W/O Program

- Recommend agencies with proven track records
- Encourage churches to take advantage of free Denomination and carrier resources
 - Guides (e.g. Buying Guide), Newsletters, Webinars
- Share tips on shopping for insurance in the current market
- Remind everyone to open their insurance-related mail (and act as needed)
- Know the state rules regarding cancellation and nonrenewal of coverage

