

### City of Kingsport Property Insurance Recap:

Travelers Indemnity Company has for several years provided property insurance coverage for the City. The current policy expires on December 31<sup>st</sup>. Prior to publication of the request for proposals City staff received a renewal notice from Travelers that indicated a reduction in single occurrence coverage from \$600,000,000 to \$200,000,000, an increase in the city's deductible from \$25,000 to \$100,000, and a 60% increase in the City's premium. Following publication of the request for proposals only Travelers submitted a proposal. The proposal included the reduction in the city's single occurrence coverage and the increase in the city's deductible. However, the premium only increased 30% from the previous year as opposed to the 60% indicated in the October, 2023 notice from Travelers.

Below is a summary of the city's property insurance premium, the valuation of City property for coverage purposes and the rate per \$100 of coverage:

Year	Premium	Premium Increase	Property Valuation	Valuation Increase	Rate	Rate Increase
2019	\$185,818	-	\$561,806,846		0.0331	-
2020	\$223,834	20%	\$600,001,692	6.80%	0.0356	5.67%
2021	\$268,435	20%	\$607,766,692	1.30%	0.0442	18.50%
2022	\$332,588	24%	\$662,833,574	9.06%	0.0502	13.57%
2023	\$406,481	22%	\$707,069,634	6.67%	0.0575	14.54%
2024	\$529,654	30%	\$756,648,188	7.01%	0.07	21.74%

### Property Insurance Market 2023

The property insurance market is influenced by several factors that have created a very hard market in 2023. A combination of the rising frequency and costs of natural disasters and increased building costs due to inflation, rising costs of materials, and supply chain issues have led insurers to simultaneously adopt higher valuations and premiums while lowering their coverage exposure.

The Swiss Re Group, a global reinsurance provider, reported December 8, 2023, that natural disasters are on track to break loss records this year. For the first time, severe thunderstorms were a major contributor to the year's catastrophic losses, accounting for over \$50 billion in insured losses in the U.S.

RT Specialty, a wholesale distributor of excess and specialty insurance lines, published their *US Property Insurance Review* in October 2023. They make particular note of the hardening of the reinsurance market. The rates offered by the reinsurance market for U.S. catastrophic property losses were at a 17 year high, with even loss free accounts seeing rate increases of 20% - 50%. These increased reinsurance rates are then passed down from the insurance companies to their clients.

AmWins, a global specialty insurance distributor, published their *State of the Market* report in October 2023. They note that by the end of September 2023, in the U.S. there had been 24 confirmed weather or climate disaster related events exceeding \$1 billion. The first half of the year saw \$52 billion in global insured losses, of which \$34 billion was for severe convective storms. AmWins notes that even loss free accounts are facing substantial rate increases and accounts with loss severity or frequency are facing non-renewals or being unable to find coverage.

As further evidence of the challenges posed by the current insurance market, the request for proposals was not only published in accordance with the City's standard procurement process but also McGriff directly contacted multiple carriers. Only Travelers responded.

The following carriers were contacted by McGriff:

- Travelers
- Hartford
- Great American
- Chubb
- Philadelphia
- Selective
- Cincinnati
- CRC
- Berkshire Hathaway
- C N A
- Liberty Mutual
- AIG
- State Auto
- Auto Owners
- Nationwide
- Hanover
- QBE
- Sompo
- Utica
- Zurich
- Allianz
- FM Global
- Tokio Marine
- Glatfelter