

Housing & Facilities Conference

Presented by the FMC

Scan the QR code or visit the appendix of your workbook to access downloadable materials for this session.



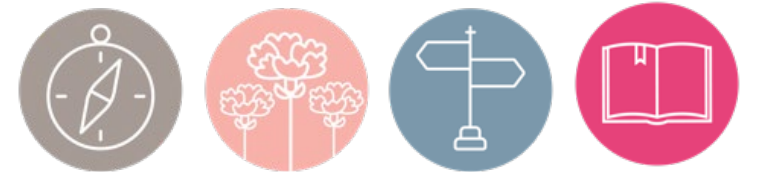
Trends In Insurance With MJ Sorority: Moving Toward A New Or Different Business Model

**Housing
& Facilities
Conference**
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Learning Objectives

- Describe trends in fraternal property management claims.
- Describe trends in risk management strategies.
- Identify one or more resources offered by MJ Sorority.
- Identify one or more strategies for leveraging insurance partnerships.

Note: None of the HFC sessions should be construed as legal advice. You will need to determine if anything you want to implement following this conference will need to be approved by your board, affiliated house corporation (AHC) membership and local campus. You may need to consult your AHC's legal counsel.



Don't Forget:

- Use your HFC workbook to record learning.
- Record your learning takeaway at the end of the session.

Tip: Record notes beginning on Page 54.



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Trends In Insurance With MJ Sorority:
Moving Toward A New Or Different
Business Model

Introductions

- Cindy Stellhorn
 - MJ Sorority
 - Principal, Executive Vice President





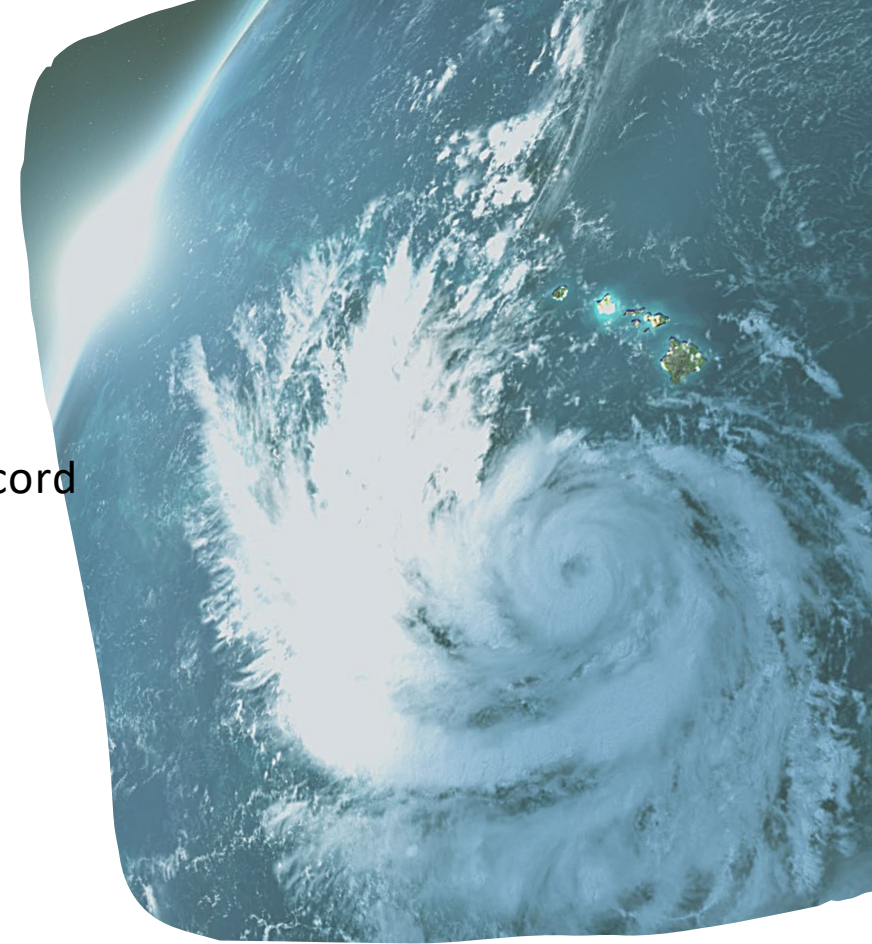
A New Insurance Business Model

Future Ready: Adapting Chapter Houses
for the Next 100 Years

What's Happened?

Industry-Wide Trends

- Insurance and reinsurance markets reeling from last few years of record catastrophic claims
 - Winter Storm Viola (2/2021) - 22 states affected; \$85B
 - Hurricane Ian (10/2022) - Florida; \$130B
 - Winter Storm Elliott (12/2022) - 42 states affected; \$140B
 - Winter Storm Heather (week of 1/15/24)
 - Two Florida hurricanes in September: Helene and Milton
 - California wildfires in January 2025 will also impact the market



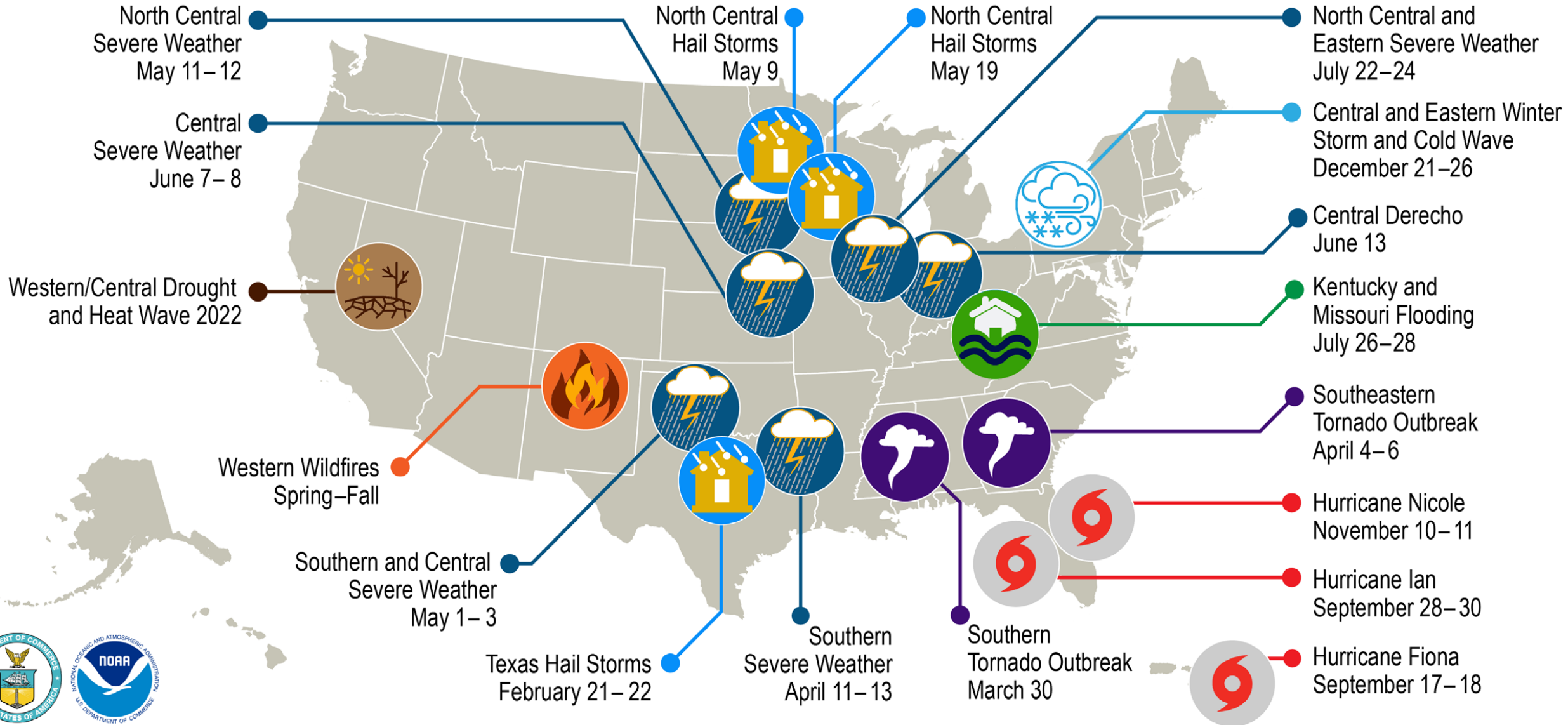
What's Happened (cont.)?



Industry-Wide Trends

- Deteriorating profitability of property insurance over last 10+ years
 - \$123 billion spent in weather disasters in 2023; California 2025 wildfire \$159B
 - 30 consecutive quarters that premiums/rates have increased
 - Average property claim increased 223% from 2016-23
 - Losses have increased 57% from 2015-23
 - More assets in high-risk areas
 - Climate change causes increased frequency and severity incidents
 - Much of U.S. growth has taken place in vulnerable areas – coasts, fire-prone areas, and river flood plains

U.S. 2022 Billion-Dollar Weather and Climate Disasters



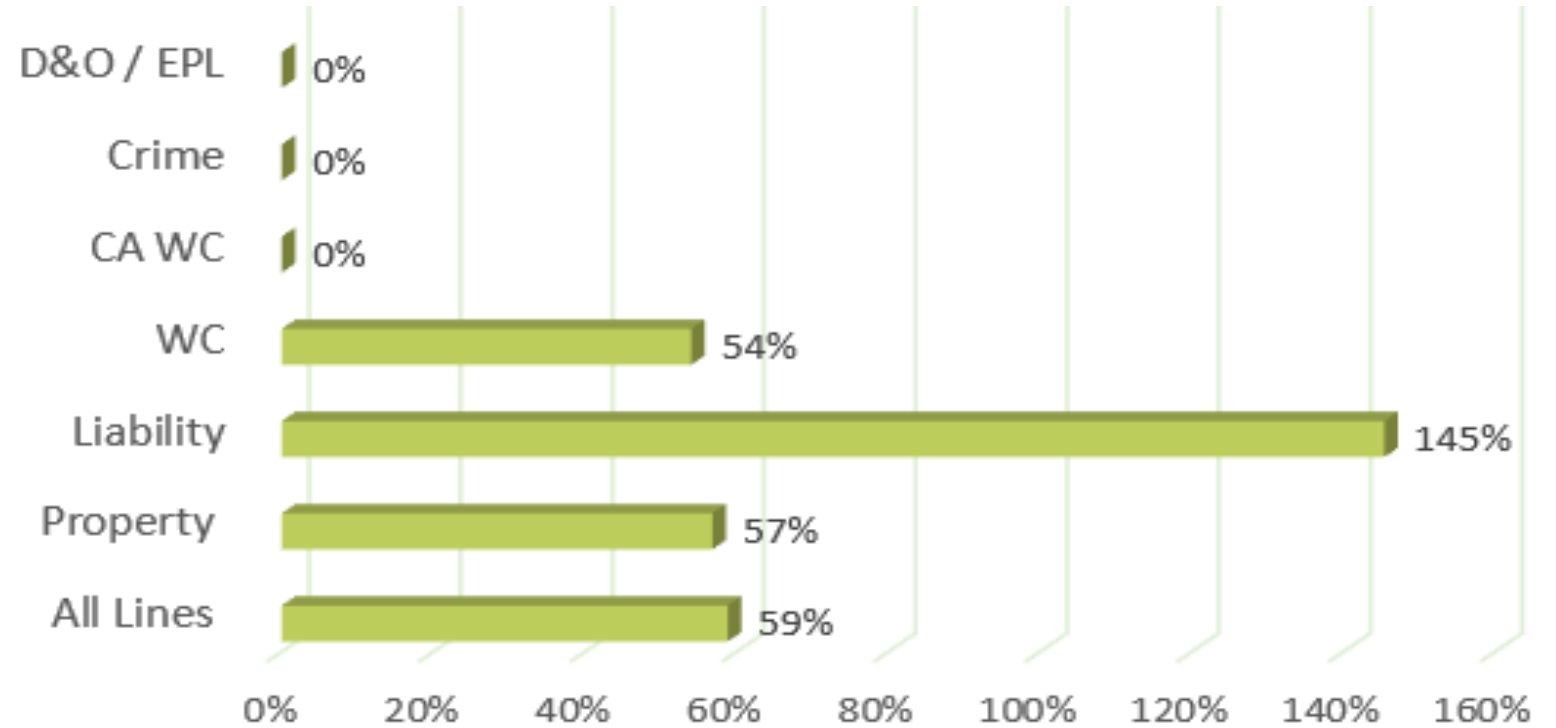
This map denotes the approximate location for each of the 18 separate billion-dollar weather and climate disasters that impacted the United States in 2022.

Seven Year Loss Ratio

Gamma Phi Beta Claims Results

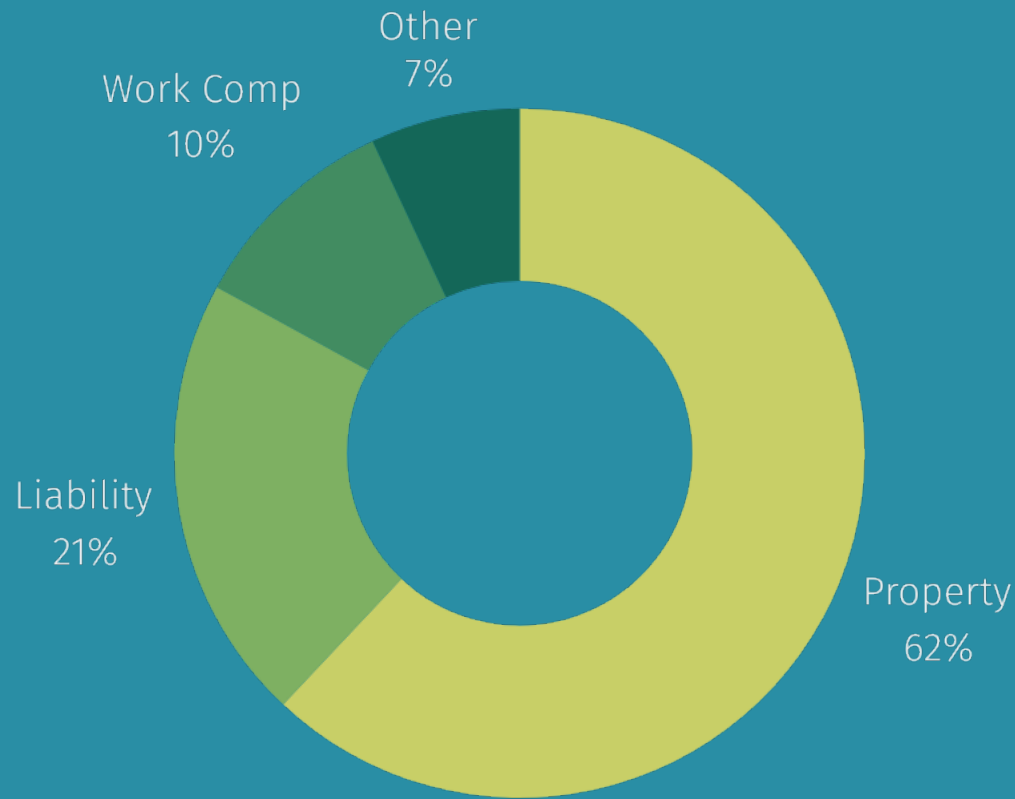
**loss ratio = total dollars
paid in claims divided by
total premiums**

The goal is to keep losses low enough to maintain comprehensive coverage and pricing in the long-term.

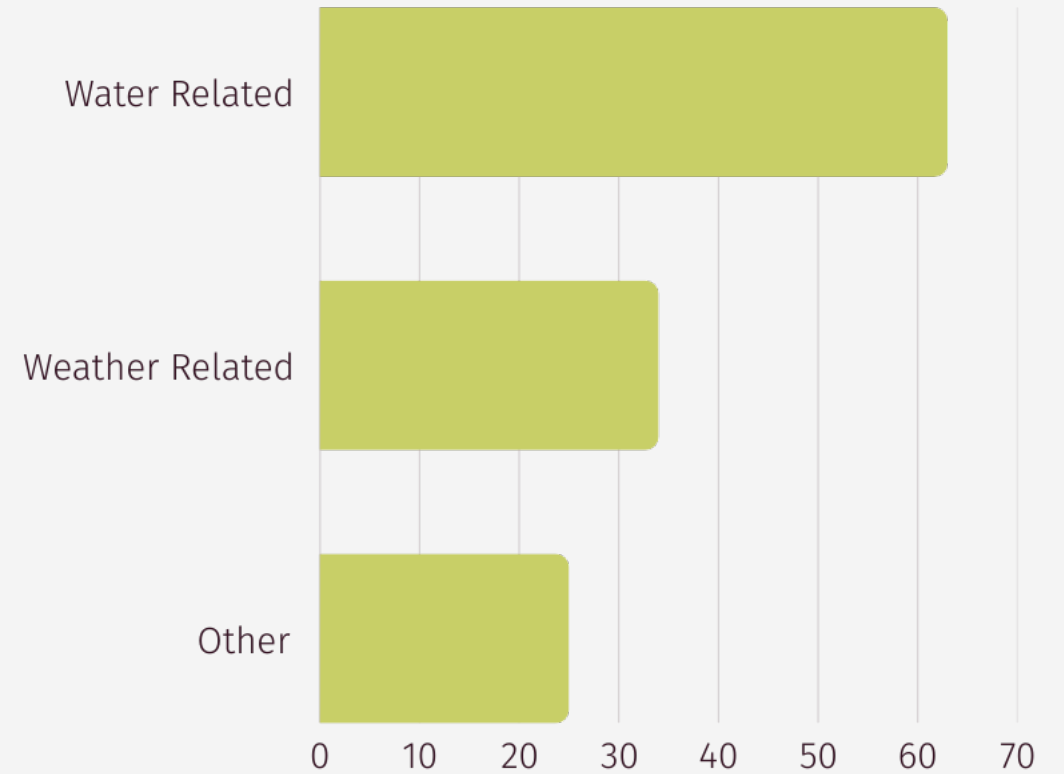


Gamma Phi Beta Claims Frequency

Claims data helps us pinpoint areas that need focus



Property Frequency



Weather includes Flood, Hail, Lightning, Power Failure, Frozen Pipes, Surface Water, Weight of Snow & Ice, Wind

Why?

Trend Factors

- Shift in weather patterns
 - Wind and hail incidents are moving more easterly
 - Wildfires, mud slides, and convective storms (new)
 - Storm surge risk doubling due to sea levels rising (e.g., 8" in southwest Florida)
 - Water-forward disasters more intense, prolonged and slow moving due to water temperatures rising
- Global warming where the planet gets warmer, wetter and more prone to extremes
 - Has increased the frequency of extreme weather events
 - Has increased the severity or intensity of extreme weather events
 - New type of losses are emerging such as wildfires and convective storms
 - Tornadic activity starting earlier and expanding eastward



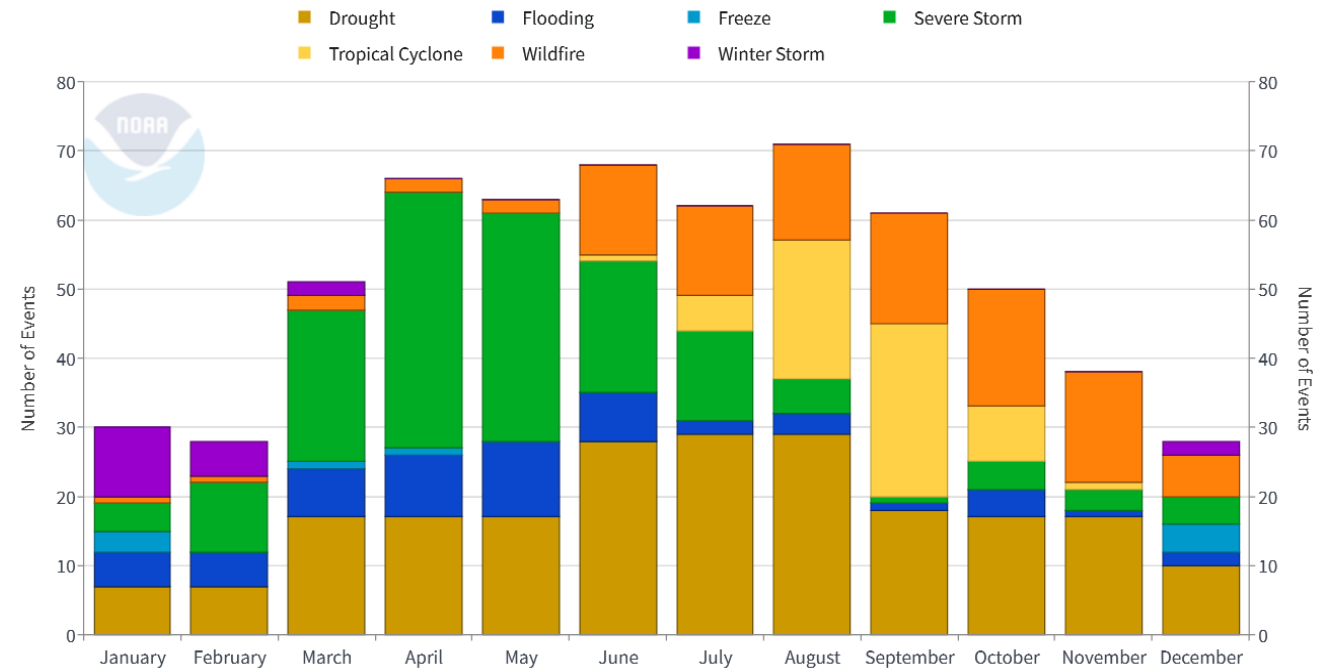
Why?



Trend Factors

- Inflation and the increase in the costs of construction
- Business interruption claims are larger due to labor shortages, supply chain disruption
- Habitational and frame construction is less desirable
- Property damage is taking four times longer to repair/replace

United States Billion-Dollar Disaster Type Counts By Month 1980-2021 (CPI-Adjusted)



State Implications



- State Building Codes
 - Insurance companies have developed a list of states that have inferior building codes especially as it relates to the perils of wind and hail. Examples are MS, GA, LA and TX
 - FEMA study illustrates that 65% of cities/town have not adopted modern building codes
 - Regulators, insurance companies and environmentalists must strategically work together to address the issues
- Insurance companies pulling out of states where they can no longer profitably write business
 - Windstorm in FL and wildfires in CA where insurance companies have now stopped writing business
 - The CAT exposure shifted when a massive population shift into the wildland urban interface occurred during years of protracted drought or a 39% increase in housing

MJ Sorority Claims Analysis



Sorority Department Claims

- Property is 60% of the total claims seen across the sorority program
 - Weather related claims → 55% of the property claims
 - Water related claims → 44% of the property claims
 - Fire related claims → 4% of the property claims

Looking Forward



Industry-Wide

- Longstanding "other property deductibles" like EQ, floods, named storm, etc. - now expanding:
 - Insurance companies isolate out counties and states where these changing weather patterns have become more prominent such as TX up to NE, specifically higher wind & hail deductibles, and restrictions on roof repair and/or replacement
 - Insurance companies contemplating larger deductibles for water damage claims (e.g., \$30K)
- Insurance for roof replacement is also being affected
 - Only ACV recovery on claims, cosmetic exclusions and claim must be reported within 12 months of wind event
- Insurance companies expecting insureds to have more skin in the game where the risk is excessive vis a vis deductibles
- Moving away from insurance being part of your maintenance program and being used for large losses instead

Looking Forward



Importance of Valuation

- Insurance companies focusing on the valuation of their insureds properties to determine if they meet the policy provisions of replacement cost valuation
 - Similar to what we saw with property values after Sept 11 where buildings, contents and loss of income were significantly undervalued
 - Pre-pandemic cost per square foot \$140-\$180 → \$250-\$300
 - Av property claim in past seven years increased by 223%



Looking Forward



What can property owners do?

- Your chapter houses must become more resilient to the weather-related claims
- Resilience is about getting to a better position than before
- Resilience is both risk prevention and risk mitigation
- The availability of technology to help manage risk
- Examples:
 - Roof hardening with higher wind resistant shingles and additional securing of the roof covering system to the roof deck
 - Temperature gauges in domestic and sprinkler pipes to monitor for freezing peril
 - Leak detection systems for monitoring of the flow of water and the emergence of water in areas prone for moisture accumulation or breakage



Total Cost of Risk



- More than just the cost of the insurance protection
- Absorbing higher property deductibles
- Self-insuring or funding outside of insurance for certain perils (i.e., earthquake, wind and hail)
- Expense of preventative maintenance
- Retro-fitting your property for change in weather pattern



Why Does The Property Chaos Matter?



- Property loss experience has historically been the “bell weather” line of coverage, serving as a balance to the volatility of the other lines of coverage
 - General Liability
 - Automobile non-owned Liability
 - Cyber Liability
 - Worker’s Compensation

Market Search Challenges

Additional Concerns



General Liability Risks

- Economic Inflation: Medical Costs up on average 16% @year
- Av. claim went from \$39,000 to \$220,000 (span of 20 yrs)
- Social Inflation: Nuclear Verdicts phenomenon
- 45% of claims emit from the chapter houses

Automobile

- Risks of individuals (collegian and alumnae) driving to member events
- Fatalities up 24% since 2020

Crime/Cyber

- Data breaches
- Phishing incidents

MJ Sorority Resources and Services



“As always, I truly appreciate you and everything MJ does. I'm still relatively new to this HC thing but am blown away by MJ and all the support services you all provide. In fact, MJ is the only email newsletter that I ALWAYS open and read. You all are to be commended for your hard work—its truly appreciated”

Your Resource for Risk Management

- Hundreds of resources available at [MJSorority.com](https://mjsorority.com)
- Be on the lookout for *2025 Risk Management on the Road Series*
- Make sure you're signed up for MJ's monthly newsletter
- Come visit our booth!

Have an idea for a resource you'd like to see?
Email Kit Clark Moorman at kit.moorman@mjsorority.com

Questions?

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Your Session Learning

Learning Recap

- Describe trends in fraternal property management claims.
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Tip: Don't forget to write down your key learning takeaway in your workbook.



Learning Assessment

Trends In Insurance With MJ Sorority: Moving Toward A New Or Different Business Model

[GammaPhiBeta.org/Housing-
And-Facilities-
Conference/Resources](https://GammaPhiBeta.org/Housing-And-Facilities-Conference/Resources)





Cindy Stellhorn

MJ Sorority

Connect with Cindy following this session or access resources on the MJ Sorority website.