



Five ways to thrive in a hard market





Table of contents

Increasing climate catastrophes, rising inflation and a declining commercial real estate market have limited insurer capacity. Learn the **five steps** carriers can take now to weather this storm through 2024.

2–4 Insurance Industry Market

5–17 5 ways to thrive in a hard market

- 01 Spreading the risk
 - 02 Segmenting your claims
 - 03 Balanced loss-adjusting
 - 04 Verified settlement accuracy
 - 05 Reliable repair network
-

18 Conclusion



Why carriers are feeling the pressure

A confluence of events and trends has created a perfect storm for the insurance industry, placing intense pressure on carriers and reinsurers to limit capacity and transfer risk to policyholders.



2022 was the second consecutive year with global insured losses exceeding \$100 billion.¹

Increasing catastrophic claims are putting ever more burdens on capacity obligations. In 2022, insured losses hit an all-time high of \$125 billion, with global losses totaling \$275 billion, due to:¹

- Hurricane Ian
- Hailstorms in France
- Floods in Australia and South Africa
- Droughts in Europe, China and the Americas
- Winter storms in Europe and the U.S.

Unfortunately, 2023 is on track to be another \$100+ billion year. In the first half of the year, insured losses reached \$50 billion, while total losses hit \$194 billion, making it the highest first half since 2011 caused by:²

- Earthquakes in Turkey
- Floods in Italy
- A cyclone in New Zealand
- Droughts in Spain, Brazil and Uruguay
- Spring thunderstorms with high winds in the Midwestern and Southern U.S. regions

“U.S. occupancy has dropped almost 50% with COVID lockdowns. It’s coming back in other parts of the world. The Middle East and Asia are closer to 110% occupancy. It’s between 40% and 50% in Europe and the U.S.”

Lance Malcolm, U.S. president,
Contractor Connection
Crawford & Company

Growing inflation, post-COVID supply chain issues and labor shortages are driving up the replacement costs for insured property and homes. Property replacement costs have surged over 40% since 2020,³ driven by the rising cost and limited supply of materials, plus the shortage of qualified labor. Replacement costs for automobiles have risen, too. The average cost of a new car in March of 2023 was more than \$48,000, almost 28% higher than pre-pandemic prices.⁴

Declining occupancy rates in the commercial real estate holdings of insurance companies have lowered profit margins. Before the pandemic, office properties were at 95% occupancy. By the end of 2022, occupancy rates had dropped to 47%.⁵ During previous years, when there was a booming commercial real estate market, insurance companies enjoyed deeper financial cushions. Today, tighter margins are putting pressure on capacity.

Estimated insured natural disaster losses (\$) since July 1:



3.4 – 5.5B

WILDFIRE IN HAWAII⁶



600M

TROPICAL STORM HILARY IN CALIFORNIA⁷



9B+

CATEGORY 3 HURRICANE IDALIA IN FLORIDA⁸





When these trends come together as they have in 2023, capacity shrinks, insurance rates go up and the market hardens as policyholders are forced to take on more risk.

According to the Bureau of Labor Statistics, the insurance industry ranked second to last for recruiting new talent in 2022.¹⁰

An aging talent pool in the claims sector, along with insufficient training, is creating a 10-year workforce gap in the insurance industry.

A 2021 U.S. Chamber of Commerce report noted:⁹

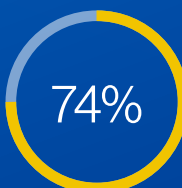


400K

open positions in the next decade



of insurance industry employees are under 35 years old



increase in insurance professionals aged 55 and older since 2011



of the current workforce will retire by 2036

In this perfect storm, how can insurers, reinsurers and policyholders protect themselves?

Crawford offers five actions that can help lower costs, mitigate risk and prepare insurance professionals and policyholders for the future.

01

Spread the risk with the right strategic partner

02

Segment your claims with smart technology

03

Employ balanced variable-cost loss adjusting

04

Verify settlement accuracy with customized services and platforms

05

Connect to verified contractors with a reliable managed repair network



01

Spread the risk with the right strategic partner

Complex commercial accounts—companies with properties across multiple locations, global manufacturing facilities or complicated alternative risk structures—are familiar with spreading their risk among several insurers.

“In the past, the quota-share or multi-insurer structure was used to underwrite extreme risks. Now, it’s much more common, and with capacity issues, there is a need for more typical risks to be underwritten in that way.”

Jenna Gibbs, senior vice president of Strategic Operations with Crawford Global Technical Services Division

But smaller companies with less complex systems may have been 100% insured by a single carrier in softer markets. Now, small- and mid-sized companies must take on more risk themselves and use a multi-insurer structure.

When there is an escalation in complexity, the policyholder’s need for more professional advice and counsel grows.

This can influence the claims journey in a variety of ways, and the broker may take on an increasingly important role in the process. Likewise, policyholders may seek the advice of attorneys before even initiating a complex claim.

“Our group is comprised of major and complex loss adjusters who are capable of handling the world’s most technical claims on the world’s most complex accounts. We work with the entire industry —brokers, carriers, self-insured companies and reinsurers.”

Jenna Gibbs, senior vice president of Strategic Operations with Crawford Global Technical Services Division

While changing to a multi-insurer structure can seem overwhelming to parties accustomed to a single carrier, working with a strategic partner familiar with complex insurance systems can help them navigate this new landscape.

Many times, the broker recognizes there might be a need for a complex adjusting skill set when they place the program. Other times, the carriers may decide that an independent adjusting firm should be nominated into the policy. “We’re all working to resolve a claim,” says Gibbs. “Typically, Crawford is brought in on behalf of the carrier. But that’s changing a little bit. As companies take on more risk and become more self-insured, they need experienced claim validation and resolution skills within their own self-insured structure.”

Those entities can benefit from a skilled subject matter expert to keep all parties informed, verify the estimates and move the claim towards resolution. A strategic claim partner provides a key point of contact for managing all the data tied to the claim.

With that 30,000 foot view, they see places for improvement.

Having access to the insight that this data offers can help the self-insured mitigate risk with appropriate protocols. It can also help carriers identify the right technology for streamlining operations and improving efficiency.





02

Segment your claims with smart technology

By using the latest smart technology, insurers can manage claims more efficiently and allocate the right resources to the right place.

“Today, there are several different ways to triage a claim. It has moved beyond the two categories of ‘simple’ or ‘complicated.’ Now there are five or more segments because there are more workflows and ways to adjudicate and service claims.”

Ken Tolson, global president,
Digital Solutions, Crawford & Company

The insurance industry is seeing a shift in the claims segment with the loss of more employees than they are gaining. The great retirement of claims adjusters means there are fewer professionals to triage the increasing number of claims.

“When I started, every claim required that I go out and look at it, take pictures, create an estimate and write a check,” says Malcolm. “It didn’t matter whether it was a \$200 television struck by lightning or a house burned to the ground. Every claim was reviewed onsite.”

Over the years, the claims process changed to more centralized loss adjustment models with claims handled by phone, fax or mail. But without onsite inspections, accuracy diminished and more money in indemnity was released.

How does a carrier triage more claims with fewer adjusters?

By adopting the right technology that allows carriers to segment claims and improve accuracy.

Choosing the right platform for processing claims is the key.

Racing to implement some form of technology without a clear roadmap or vision has the potential to push a company further behind. The enormous influx of new insurtech products has created two paths for insurance executives: either they rush to invest in technology that doesn't truly suit their business objectives, or they're frozen in "analysis-paralysis" due to the fear of choosing the wrong platform.

"The technology platforms that Crawford provides, such as Digital Desk, WeGoLook® and YouGoLook®, are critical in helping insurers build a segmentation model for efficient loss adjusting,"

Lance Malcolm, U.S. president,
Contractor Connection
Crawford & Company

There is a third option, and that's working with a company that already understands the precise technology carriers need.

With the labor shortage in claims, Crawford recommends that carriers invest in claim segmentation technology that will allow them to work more efficiently.

Building a claim segmentation model that utilizes labor- and time-saving technology can help carriers identify which channel is ideal for that claim. "Establishing a segmentation model that is stable and reliable is the key to efficiently managing claims," says Malcolm. "Based on the carrier's customizable inputs, the technology can determine if the claim is self-service, requires a professional inspection, or is a managed repair situation. Plus, depending on the degree of complexity, it can determine whether it demands that a field adjuster review the damage or if a Crawford Global Technical Services expert should be onsite."



“It’s about leveraging our entire ecosystem as a lending hand to the insurance company and then to the policyholder for the most optimized outcome of that claim once it has happened,”

Awais Farooq, senior vice president,
Strategy & Transformation,
Crawford & Company

All customers want their claims handled quickly, but some prefer no-touch adjusting and others require more hands-on soft skills.

With Digital Desk, carriers are not locked into one channel.

Digital Desk helps insurers put the right people in front of the right work at the right time. That might mean digital FNOL but personalized service with adjusting.

“Segmenting means finding a customized solution that works for each claim,” says Awais Farooq, senior vice president, Strategy & Transformation, Crawford & Company. By segmenting claims with Digital Desk, insurers can avoid sending out time-crunched personnel for small claims that could be resolved with self-service apps or professional inspection.

After setting up Crawford’s YouGoLook® self-service app, carriers can allow policyholders document their damage for simple claims. With built-in safety features that ensure accuracy and eliminate fraud, desk adjusters know they can trust the data and visual documentation provided by policyholders. For low-volume, low-complexity claims that require onsite visits, Crawford offers WeGoLook®, a gig-economy network of more than 45,000 experienced insurance professionals who can document claims for carriers.

On the other hand, if the policyholder has an issue that needs mitigation services, such as a running water leak or a storm-damaged roof, they will likely reach out to the insurer. Ideally, that carrier will have access to qualified contractors through a service like Crawford Contractor Connection, that can review the situation, make the repairs, and minimize the extent of the damage.

Solutions provided by Crawford:



Employ balanced variable-cost loss adjusting

Carriers can increase policy rates and transfer risk to policyholders, but those efforts only go so far in helping with capacity issues in high-volume claim situations.

“Traditionally, they used to model catastrophes at about every three months. Now it’s about every three weeks.

Larry Milburn, chief operating officer,
U.S. Loss Adjusting, Crawford & Company

The key for carriers is finding a smart balance between fixed and variable cost models, especially when there is a talent and training crisis in the claims sector of the insurance industry.

“With multiple surge events occurring each quarter, carriers need to use variable cost models wisely and not get caught up in price.” says Milburn.

While there is no way to control the weather, carriers can prepare for the worst by ensuring their in-house adjusters are trained to handle catastrophic events and outsource field adjusting tasks to trained, thoroughly vetted and background-checked independent adjusting teams. **As the industry’s leader in training and independent adjusting services, Crawford can help with both.**

“Crawford adjusters live in these communities. They are the neighbors of the carrier’s policyholders.”

Larry Milburn, chief operating officer,
U.S. Loss Adjusting, Crawford & Company

With the ongoing workforce gap, insurers will have to hire more employees to replace their experienced adjusters who are retiring.

In that scenario, it’s crucial that new employees are prepared with comprehensive training before devastating events occur. Crawford’s in-person and virtual online classes help adjusters prepare for any emergency. Last year, thousands of adjusters participated in Crawford’s CAT training, learning the specifics of catastrophic response and receiving certifications in Xactimate, the software most adjusters use to estimate construction costs.

When it comes to choosing an independent adjusting firm, carriers should avoid shopping by hourly rate and examine the cost of indemnity loss and customer attrition.

“Carriers may save \$8 an hour on price, but they could be paying \$3,200 per loss on their indemnity spend because they’ve hired poorly trained adjusters who don’t know how to write accurate estimates,” says Milburn. “Plus, non-professional, unvetted and untrained adjusters will not represent the carrier’s brand well.” By outsourcing field adjusting to Crawford’s Loss Adjusting teams, insurers can improve indemnity loss and shareholder retention with properly trained, experienced adjusters.

Crawford’s Loss Adjusting U.S. team:

1,000+

ADJUSTERS

660

CITIES

9,600

HOURS OF PRE-STUDY
TRAINING

6,000

HOURS OF VIRTUAL
TRAINING



Our adjusters undergo training that covers everything from compliance, ethics, soft-skills, to estimate accuracy, quality and customer service.

With Crawford Loss Adjusting, carriers get access to expertly trained adjusters who can handle both high-volume and high-complexity claims and are adept at the latest technology that can speed up the claim lifecycle.

“Our adjusters are trained professionals, part psychologist, part engineer, who are there to help a policyholder who has just sustained [great loss]. They go out there and sit with that person and help them start to rebuild their life. That human, empathetic touch that Crawford adjusters bring is the key to the carrier retaining that policy.”

Larry Milburn, chief operating officer,
U.S. Loss Adjusting, Crawford & Company

“We live in an on-demand world where timeliness has become the new quality,” says Milburn.

An innovative process that’s only available to Crawford’s Loss Adjusting team is the ROAD Report. “ROAD stands for Rapid Onsite Assessment Detail,” says Milburn. “Our Loss Adjusting team can send the ROAD Report back to the carrier with an estimate, photographs of the damage and comments on the loss before they even leave the policyholder’s driveway.”

When large-scale weather events take place, The Crawford Catastrophe Services (CAT) team is ready. “Our CAT team is a 12,000-person roster of industry professionals experienced in handling the complexities of catastrophic response,” says Milburn. Crawford’s CAT team is the largest, most experienced and credentialed field force in the industry. Its comprehensive services provide skilled, accurate claims adjusting after the greatest moments of devastation.

Whether it’s everyday surges or catastrophic events, Crawford’s Loss Adjusting teams can help carriers meet the needs of their policyholders with knowledgeable and caring adjusters.



04

Verify settlement accuracy with customized services and platforms

Crawford's edjuster end-to-end content claims service helps carriers streamline workflows, reduce cycle times and handle complex content situations and high net worth losses.

“The industry is truly built on scaling and driving down transaction cost. While the daily claim side is much more predictable for the carriers, it's difficult to estimate what the claims environment will look like year over year because it's affected by surge.”

Ken Tolson, global president,
Digital Solutions, Crawford & Company

Contents claim processing can be a long and difficult process for carriers, where content adjusters must deliver compassionate, understanding service while getting an accurate assessment and valuation for like, kind and quality (LKQ) replacement.

With edjuster, carriers get greater inventory accuracy by utilizing industry-leading LKQ auto-valuations. Whether carriers need help with high-severity complex claims or high-volume small claims, **edjuster's automated platform improves indemnity accuracy, reduces processing times and lowers administrative costs.**

Likewise for property adjusters, manually reviewing claims for verification slows down the process, increases the workload of critical personnel and can frustrate policyholders.

Making the daily claims process more efficient and accurate helps carriers maintain resources to handle surges.

Utilizing a digital platform like Asservio™ can save adjusters and estimators valuable time by simplifying the process, offering better accuracy for property claims, and delivering results in minutes instead of days.

The rule-based platform verifies the estimate against the carrier's custom guidelines, industry standards, the scope of work and expected timeline.

"Carriers know how their loss adjustment expenses are allocated. Reducing and managing unallocated loss adjustment becomes imperative," says Malcolm. "Using a rules-based program integrated with the Xactimate® estimating program can quickly identify errors to provide estimates that are accurate within 3 to 5%."

Crawford's Loss Adjusting teams use Asservio to support their workflows, improve accuracy and connect with Crawford Contractor Connection managed repair services.

When carriers hire Crawford, they can be assured of accurate estimates. In addition, carriers can utilize Asservio as software as a service (SaaS) platform to increase efficiency and reduce cycle times of their in-house adjusters.

"It comes down to getting the right solution for the right calls and the right transaction cost. Can we eliminate that cost or is there a better, more effective way?"

Ken Tolson, global president,
Digital Solutions, Crawford & Company

Asservio provides:



3 days

reduction in cycle time, accelerating claim payment and increasing policyholder satisfaction.



average estimate accuracy savings, enhancing indemnity management



average efficiency gain

05

Connect to verified contractors with a reliable managed repair network

So, the claim has been adjudicated and verified. The next step is helping the customer get back to whole.

“The policyholder’s expectations have changed over time. They want to be restored to their previous condition, and they want the insurer to make it happen.”

Lance Malcolm, U.S. president,
Contractor Connection
Crawford & Company

When there’s a shortage of qualified labor, but no shortage of disreputable scam artists, customers may need help accessing reliable building contractors. **Policyholders now expect their insurance companies to make recommendations for restoration.**

Insurance indemnification is about returning the policyholder to their pre-loss financial and physical position. Policyholders may need help navigating their way back, and carriers are becoming more focused on the customer relationship to secure policy retention.

To help foster that relationship, carriers that work with a managed repair company, like **Crawford Contractor Connection**, can help their customers connect with vetted and reliable companies.

“Working with a managed repair contractor, like Contractor Connection, creates a good outcome for the carrier, for the policyholder and for everybody involved.”

Lance Malcolm, U.S. president,
Contractor Connection
Crawford & Company

“Carriers should work with a managed repair company adept at credentialing contractors, validating their licensing, confirming their insurance is in place and verifying the contractor has a proven background in insurance restoration projects,” says Malcolm.

“They should be sure the contractor has the infrastructure, the equipment and the financial capabilities in place to see the project through completion.”

Another cost-saving benefit of working with a trusted managed repair network is that the claims process can be streamlined considerably.

When carriers engage with a managed repair network, fewer parties may be required on site to physically assess damage. In some cases, the assessment can be handled by the vetted managed repair contractor, resulting in a potential reduction in loss adjustment expenses and increased indemnity accuracy.

Using a managed repair network like Crawford Contractor Connection can help speed up the claims process. The faster policyholders can be restored, the more satisfied they will be with their carrier's service.

A streamlined claims process:



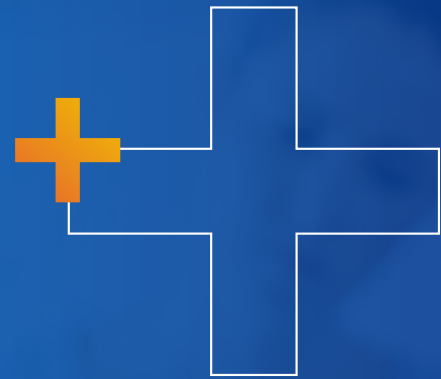
Carriers have a high degree of confidence that when a claim is processed through managed repair, that it is sufficiently non-complex.



Carriers leverage a verified contractor going out, providing photographs, diagrams and an Asservio-reviewed estimate.



Contractors finish the repairs to make the policyholder whole.



Conclusion

The economy cycles through good times and bad, through hard markets and soft. Hard markets create an urgency to reduce overhead and make operations more efficient. The good news is, the sooner carriers take the steps outlined in this article, the sooner they'll realize those cost efficiencies. Plus, carriers will continue to benefit in the future from cost-saving measures taken today.

With Crawford's technology and expertise, carriers spread their risk, segment claims with new technology, find the right balance of fixed- and variable-cost adjusting, verify estimates quickly and access reliable managed repair networks. Focusing on these five actions will help insurers improve capacity and retain their customer base during this hard market.

References

1. insurancejournal.com/news/international/2023/03/22/713378.htm
2. reuters.com/business/finance/natural-catastrophe-insured-losses-hit-50-bln-h1-swiss-re-2023-08-09/
3. insurancejournal.com/news/international/2023/03/22/713378.htm
4. moneygeek.com/insurance/auto/average-price-of-a-new-car/
5. businessinsider.com/remote-work-gutted-city-downtowns-office-real-estate-apocalypse-2022-12
6. insurancebusinessmag.com/us/news/catastrophe/maui-insured-losses-revealed--how-bad-are-they-457696.aspx
7. insurancejournal.com/news/west/2023/08/28/738099.htm
8. insurancebusinessmag.com/us/news/catastrophe/hurricane-idalia-insured-losses-could-hit-9-36-billion--report-458282.aspx
9. insuranceblog.accenture.com/insurance-workforce-gap-technology
10. propertycasualty360.com/2023/09/07/the-insurance-industry-and-the-millennial-workforce

About Crawford & Company®

For over 80 years, Crawford has led the industry through a relentless focus on people and their innovative tools that empower them.



Loss
Adjusting



Third Party
Administration



Managed
Repair



Medical
Management



On-Demand
Inspections



Catastrophe
Response

10,000 employees | 50,000 field resources | 70 countries | \$18B claims managed annually