



NCACPA – Grove Park Inn September 9, 2025

Warren Blanchard

Risky Business – Loopholes, Blindspots, and Weird Claims.

Top 10 risks in The USA

Source: Allianz Commercial. Figures represent how often a risk was selected as a percentage of all responses for that country.
Respondents: 417. Figures don't add up to 100% as up to three risks could be selected.

Rank		Percent	2024 rank	Trend
1	Cyber incidents (e.g., cyber crime, IT network and service disruptions, malware / ransomware, data breaches, fines, and penalties)	38%	1 (36%)	→
2	Natural catastrophes (e.g., storm, flood, earthquake, wildfire, extreme weather events)	36%	3 (29%)	↑
3	Business interruption (incl. supply chain disruption)	33%	2 (33%)	↓
4	Changes in legislation and regulation (e.g., new directives, protectionism, environmental, social, and governance, and sustainability requirements)	23%	8 (15%)	↑
5	Market developments (e.g., intensified competition / new entrants, M&A, market stagnation, market fluctuation)	16%	6 (16%)	↑
6	New technologies (e.g., risk impact of artificial intelligence, connected / autonomous machines) ¹	15%	10 (13%)	↑
7	Macroeconomic developments (e.g., inflation, deflation, monetary policies, austerity programs)	15%	4 (24%)	↓
8	Fire, explosion	14%	7 (15%)	↓
9	Climate change (e.g., physical, operational and financial risks as a result of global warming)	12%	5 (17%)	↓
10	Shortage of skilled workforce	11%	8 (15%)	↓

¹ New technologies ranks higher than macroeconomic developments based on the actual number of responses.

Risky Business – loopholes, blindspots, and weird claims.

- Some reasons why a business might buy insurance:

Risk is so large they simply cannot afford to “go it alone”

Cost of risk is unpredictable and insurance can help smooth cash flow.

Counterparties require it to protect their interest. Banks, customers, suppliers, etc.

Regulatory groups require it to protect society. Worker’s compensation, auto, etc.

Risky Business – loopholes, blindspots, and weird claims.

**“If insurance is no longer available, other financial services become unavailable too...The economic value of entire regions – coastal, arid, wildfire prone – will begin to vanish from financial ledgers....Markets will reprice, rapidly, and brutally.”
Gunther Thallinger, Allianz**

State of the Property Market

2024



Natural Disasters

The increase in costly disasters have made catastrophe insurance a much riskier investment. Secondary perils such as convective storms are becoming more prominent and harder to model appropriately



Stabilizing Market

Carriers are aggressively pursuing new business. Flexibility in terms and rates are softening. 2023 rate hikes pushed carriers to a profitable level in 2023.



Reinsurance

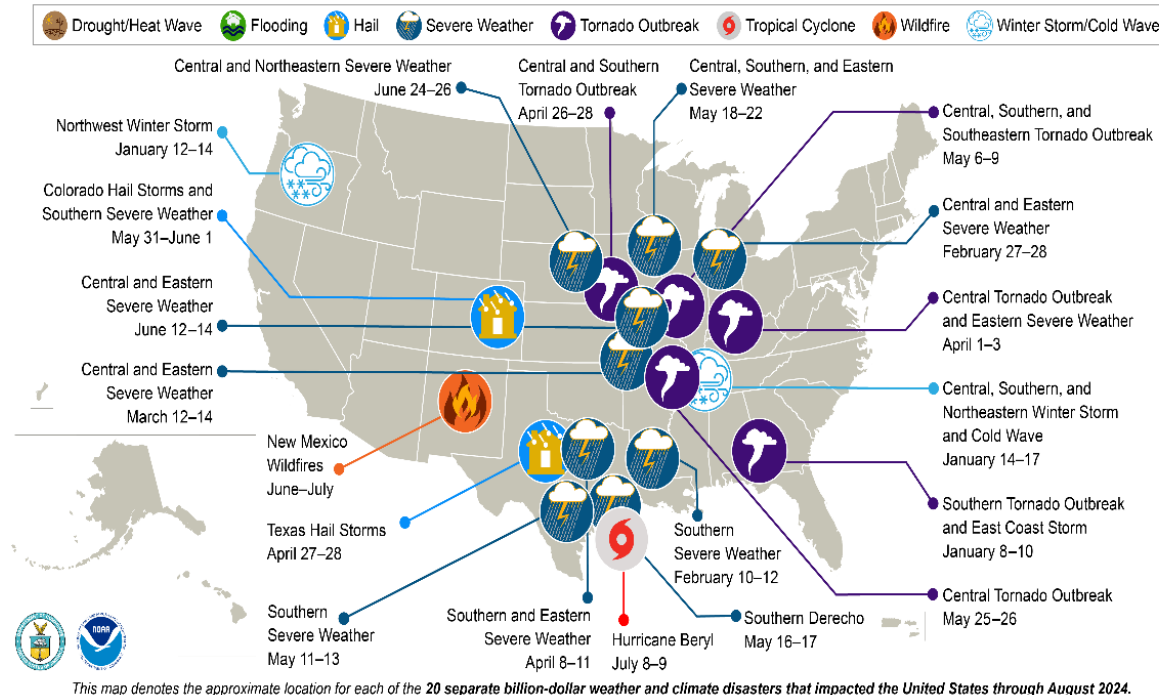
Treaty renewals have been more organized than 2023



Inflation

Building replacement cost inflation trends have stabilized. FM Global and M&S report YOY flat to single digit increases.

U.S. 2024 Billion-Dollar Weather and Climate Disasters



Hurricane Milton est.
\$30B - \$60B event.
Market impact still in
process

Est. 2023 Insurable
Losses \$120B

H1 2024 nat cat
insured losses 62%
above 10-year
average

H1 2024 Severe
Thunderstorms
contributed an Est.
\$42bn (70% of nat
cat losses)

Current Market Conditions

- Signs of **softening market** as property carriers report **profitability in 2023**, absent a major hurricane season
- Increased **capacity** enters the marketplace after steady 1/1 reinsurance renewals, **driving competition** among carriers
- **RMS v23** expected to be utilized in **more widely**.
- **Valuations** have increased dramatically YOY due to tight work force and limited materials; scrutiny on valuations has eased from 2023
- **Data is Key**, adequate values and exposures updates are vital
- **Convective storm** exposures will continue to see **terms & conditions adjustments**

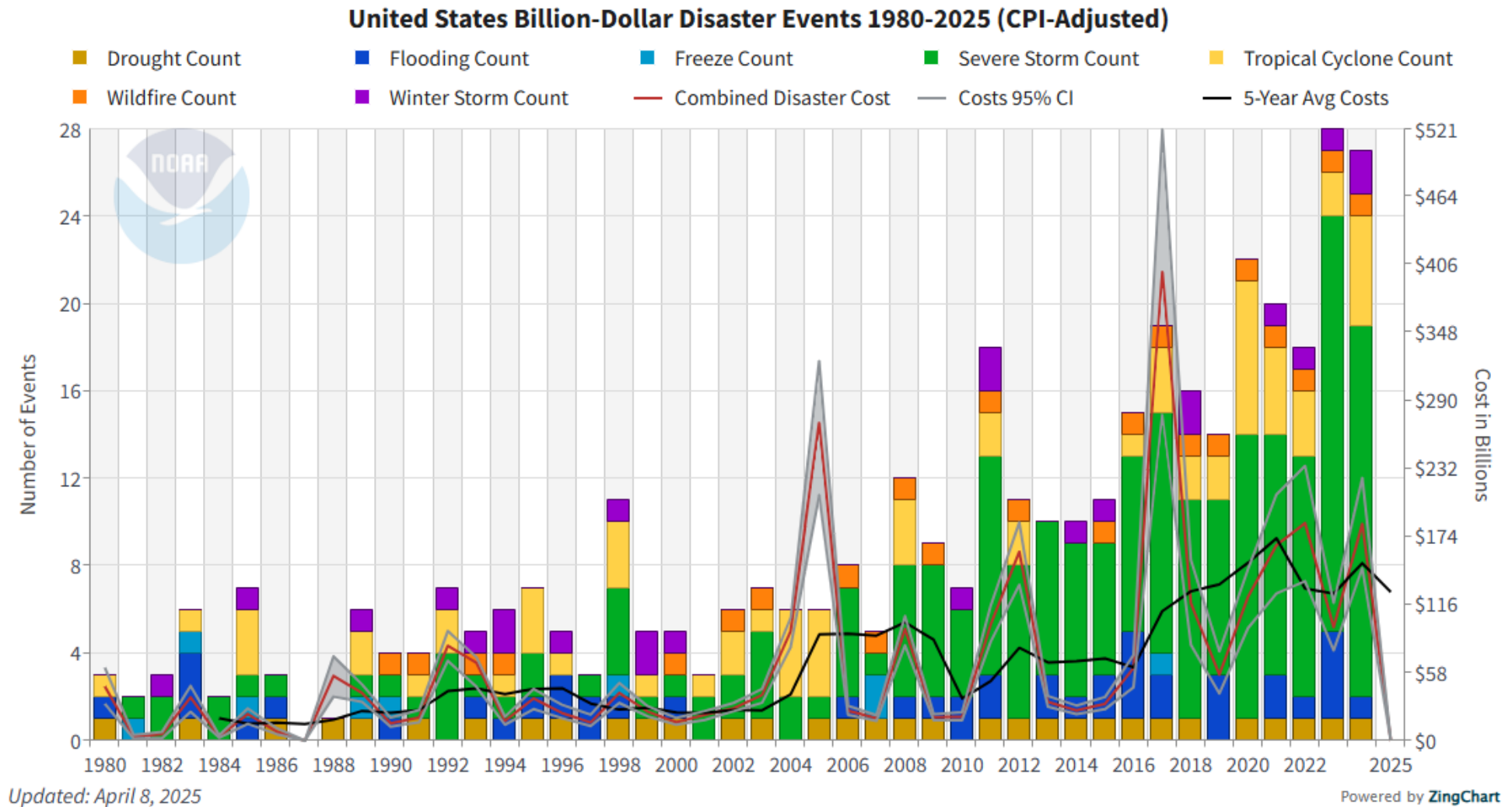
Source: NOAA

[FM Cost Outlook | CBRE](#)

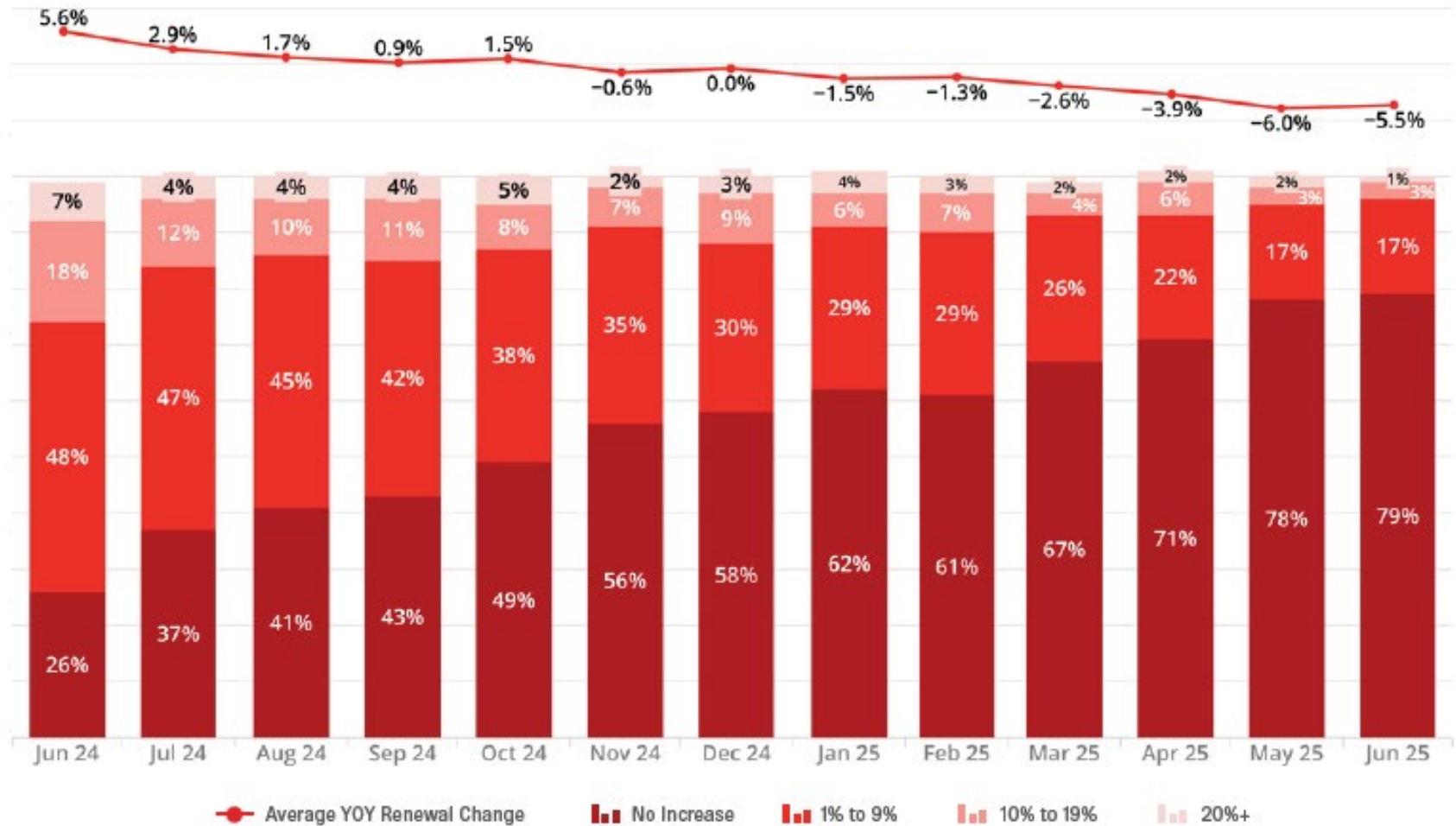
[US Home Price Insights – February 2024 | CoreLogic®](#)

[Swiss Re pegs H1 2024 nat cat insured losses at \\$60bn | The Insurer](#)

Increasing Frequency, Increasing Cost



State of the Property Market



Risky Business – Loopholes, Blindspots, and Weird Claims.

Property Challenges

- Aging facilities - structures, roofs, and inadequate fire protection/fire sprinklers or water supply.
- Construction inflation consequences – insurance shortfall at claim time, construction timelines affecting recovery.
- Insurance Market swinging back in favor in 2025, sort of.
- **Windstorm consequences - % deductible even inland locations, ACV for Roof claim payment. Exclude “cosmetic” damages.**

Risky Business – Loopholes, Blindspots, and Weird Claims.

Risks that are typically not included within your insurance contract....and maybe tricky to find any insure to offer coverage:

- Property of others at your site/your property off site
- Hour and Wage risks
- Government Regulation
- PFAS
- Product Recall/Product Contamination/Warranty
- Intellectual Property – offense and defense
- Business interruption without damage at your site
- Trees
- Cargo delays

Risky Business – Loopholes, Blindspots, and Weird Claims.

Workers Comp / Employee Safety

- Fewer accident but higher cost

Comorbidities

Medical inflation

Aging workforce (55+ = 31% of costs)

- Telemedicine / Triage
- Mental Health
- Wearables
- Video/AI

Risky Business – loopholes, blindspots, and weird claims.

Cyber / Technology

“connected” devices everywhere in business.

Artificial Intelligence – what is “fully proven”?

Technology by definition is an emerging risk....what risk
is around the corner?

Autonomous Vehicles

Cobots

Telematics

Risky Business – Loopholes, Blindspots, and Weird Claims.

Weird Claims

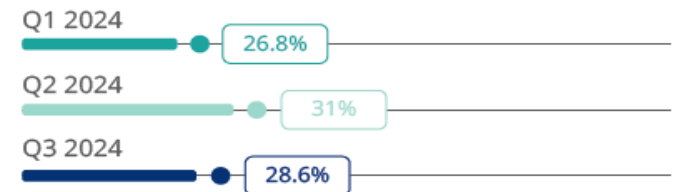
- Product Liability – settle vs defend
- 401K Theft Example \$141K
- 10 year long phony vendor scam \$4.5M
- Theft of raw material \$450K
- Old fashioned check washing
- Bogus email thread....with phony invoice and W9
- \$400M Manufacturer – wire to bad actor \$1.4M

Risky Business – Loopholes, Blindspots, and Weird Claims.

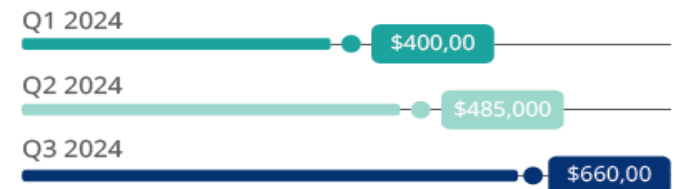
Cyber Ransom Continues to Evolve

- Targeting weak credentials on VPN / MFA
- “ransomware playbook” released mid 2023
- 55 new ransomware groups in 2024.

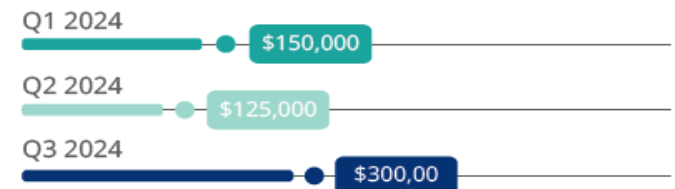
Percentage of time a ransom is paid



Median ransom demand



Median ransom payment



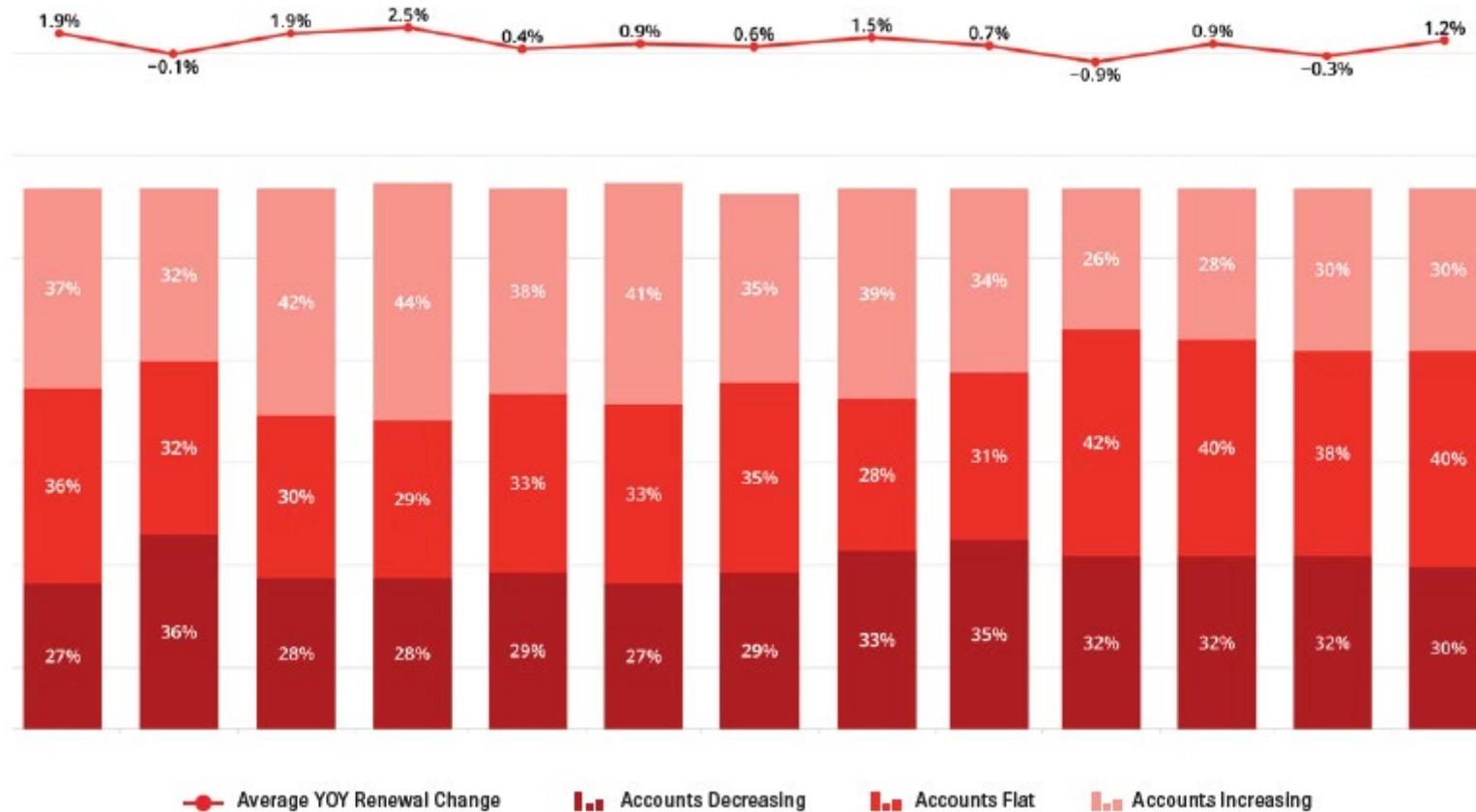
Total ransom reduction



Source: Arete's Q3 2024 Crimeware Report

State of the Cyber Market

Monthly Renewal Pricing Analysis



Risky Business – loopholes, blindspots, and weird claims.

Tort Reform???

SC, GA, FLA

Excessive insurance regulation in FLA and CA distorts market.

Risky Business – Loopholes, Blindspots, and Weird Claims.

QUESTIONS ?

Risky Business – Loopholes, Blindspots, and Weird Claims.

Things to watch in manufacturing risk in 2025:

1. AI and Automation
2. AI Cyber Conflict
3. Supply Chain
4. Reshoring / Onshoring
5. Regulatory Change

Source FM Global 12/30/24

Risky Business – Loopholes, Blindspots, and Weird Claims.

Emerging issues/challenges

Polyfluoralkyl Substances – the next asbestos?

- PFAS or “forever” chemicals are used in non stick cookware, stain release agent in textiles, paints, shampoo, cosmetics, firefighting,.....the list goes on.
- Federal standard finally released April 2024 for drinking water....4 parts per trillion/10 parts per trillion.
- Multiple litigation events in SC. Water utilities vs. “upstream” manufacturing companies contribute via wastewater and/or runoff.

Risky Business – Loopholes, Blindspots, and Weird Claims.

Fraud Schemes by Industry

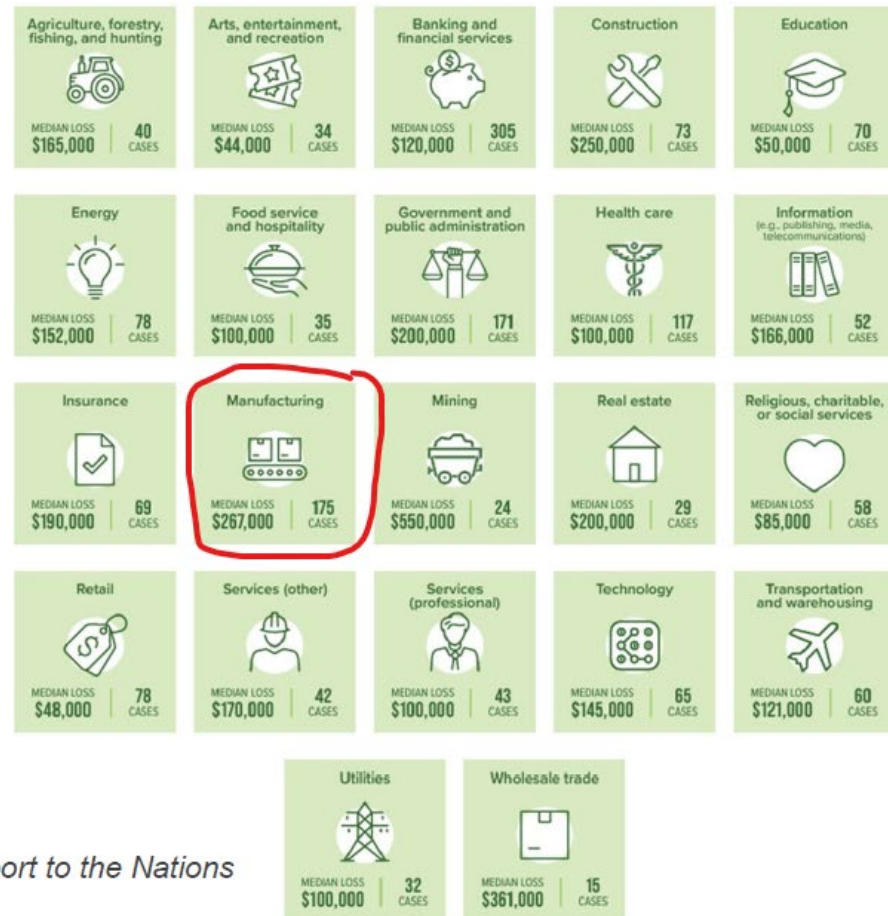
Industry	Cases	Billing	Cash larceny	Cash on hand	Check and payment tampering	Corruption	Expense reimbursements	Financial statement fraud	Noncash	Payroll	Register disbursements	Skimming
Banking and financial services	305	12%	12%	18%	14%	44%	6%	5%	16%	4%	4%	8%
Manufacturing	175	27%	6%	4%	7%	55%	17%	6%	29%	10%	1%	9%
Government and public administration	170	24%	15%	8%	14%	52%	15%	4%	15%	18%	4%	11%
Health care	117	38%	9%	8%	12%	47%	21%	1%	22%	16%	2%	9%
Energy	78	19%	8%	9%	8%	60%	13%	4%	29%	10%	3%	6%
Retail	78	17%	10%	13%	5%	40%	6%	0%	32%	3%	9%	14%
Construction	73	38%	12%	7%	19%	52%	25%	10%	25%	23%	4%	23%
Education	70	36%	9%	13%	10%	43%	17%	0%	16%	7%	6%	19%
Insurance	69	19%	6%	6%	20%	49%	12%	9%	16%	10%	6%	9%
Technology	65	28%	9%	2%	9%	65%	11%	3%	32%	14%	0%	5%
Transportation and warehousing	60	18%	10%	18%	7%	52%	12%	2%	33%	10%	3%	7%
Religious, charitable, or social services	58	36%	17%	24%	17%	45%	29%	3%	10%	7%	2%	16%
Information	52	15%	10%	10%	0%	62%	10%	2%	27%	6%	0%	10%

Source: ACFE Report to the Nations

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Median Loss by Industry

Where does your organization fit in?



Source: ACFE Report to the Nations

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Weird Claims

401K Theft Example \$141K

10 year long phony vendor scam \$4.5M

Theft of raw material \$450K

Claims we've seen in SC in last 90 days for email compromise:

\$8M Sign Mfg – ransomware \$23K

\$20M Janitorial - wire to bad actor \$705K

\$25M Manufacturer - wire to bad actor \$65K

\$100M Distributor – wire to bad actor \$600K

\$400M Manufacturer – wire to bad actor \$1.4M

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Auto Liability

“Car Insurers are Bleeding Money” WSJ 2/26/24

State Farm Example

2022 Premiums \$56.1B

2022 Claims \$53.4B

2022 Expenses \$12.4B

Underwriting loss \$9.7B

What you can do:

Driver quality

Telematics



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