



Oregon PRIMA 2025

The Importance of Having Accurate Total
Insured Values in the Current Market

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Agenda

1. Insurance market conditions update and emerging trends
2. Proper valuations and its importance in the underwriting process
3. Insurers increased focus on values in current market condition
4. Valuation methods and how to build a best-in-class property submission

Insurance market conditions update

State of the Property Market – Q3 2025 Outlook

Competitive Market Conditions Driven by Growth Objectives and Favorable Reinsurance Renewals

Pricing

- ▶ The property insurance market is expected to continue softening in Q3 2025, driven by increased capacity and competition—barring any exceptionally large or frequent catastrophic (CAT) losses.
- ▶ Losses from Hurricanes Helene and Milton in October 2024 had minimal impact on 2025 catastrophe treaty reinsurance renewals.
- ▶ Despite substantial CAT losses in 2024, insurers remain focused on achieving premium growth targets.
- ▶ The \$30B–\$50B in losses from the LA wildfires primarily affected homeowners, small commercial, and specialty risks, but have not significantly disrupted the ongoing softening trend in the property market.
- ▶ Multi-carrier programs are providing increased competition, rate relief, and broader terms, while single-carrier programs remain stable, though some segments are experiencing rising competitive pressure.

Q3 2025 Rate Forecast:

-10% to -5% rate - Non-challenged occupancies / Non-CAT
--20% to Flat rate - Challenged occupancies / CAT exposed

Capacity

- ▶ Increased market capacity and appetite have grown rapidly through Q2 2025, leading to greater capacity availability and causing many program renewals to become overlined.
- ▶ While insurers continue to focus on portfolio optimization, they are showing greater flexibility by deploying additional capacity to secure renewal placements.
- ▶ In oversubscribed layers, pricing can be meaningfully reduced before some insurers begin to withdraw.
- ▶ Capacity constraints have eased considerably, even for accounts with prior losses or high CAT exposure—including severe convective storms (SCS), Tier 1 wind, high hazard flood, and California earthquake risks.
- ▶ The market outlook beyond Q2 remains largely contingent on the outcome of the Atlantic hurricane season.

Q3 2025 Property Capacity Forecast:

Expected to show a significant increase with insurers expanding appetite to write new business and entertain new risk occupancies

Coverage

- ▶ The market remains focused on managing Severe Convective Storm (SCS) exposures, sublimits, and percentage-based deductibles, though enforcement is proving difficult in today's competitive environment.
- ▶ In response to the Los Angeles wildfires, insurers are scaling back coverage in high-risk areas, withdrawing capacity, and implementing higher deductibles.
- ▶ Margin Clause limitations were largely removed beginning in Q3 2024, except for accounts with significant property undervaluation concerns.
- ▶ Coverage for properties under construction and previously standard coverages, including communicable disease and cyber risks, remains highly restricted within property policies.
- ▶ Challenging coverages like Strikes, Riots, and Civil Commotion (SRCC), Contingent Business Interruption (CBI), Service Interruption, and Cloud Service Interruption are becoming more accessible, while pressure to shift from manuscript to carrier-standard forms has eased.

Q3 2025 Coverage Appetite Forecast

Increasing coverage appetite. Improving terms including lowering deductibles, increasing limits and expanding coverages should be tested in the marketing process.

Considerations

- ▶ With building cost inflation concerns easing, there is reduced emphasis on year-over-year value increases.
- ▶ Business Interruption (BI) values and continuity plans are under increased scrutiny to ensure accurate exposure assessments; completing BI worksheets is strongly recommended.
- ▶ Catastrophe losses have the potential to rapidly shift market dynamics.
- ▶ Severe Convective Storms, floods, wildfires, and other secondary perils continue to drive significant industry losses. Munich Re estimates H1 2025 Natural Disaster insured losses at \$80 billion up from \$64B in 2024.
- ▶ High submission volumes reflect insurers' pursuit of 2025 new business goals; strong data quality and sound methodologies are key to effective risk differentiation.
- ▶ Reassessing parametric products and captive solutions is encouraged to optimize risk transfer and retention strategies.
- ▶ New US tariffs placed on foreign goods may disrupt supply chains, increase import costs, and potentially reignite inflation—particularly in post-loss replacement scenarios.

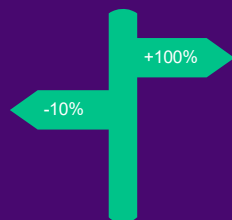
Q3 2025 Considerations:

Atlantic Hurricane Season.
Tariff impact to supply chain replacement cost inflation.
Future value trade of incumbent relationships vs. new markets

State of the Property Market – Factors Impacting Renewals

2025 (Q2 – Q3) Key Renewal Considerations

Average Rate Change can be misleading



Average rate changes can obscure diverse renewal outcomes. During Q2 2025 increased capacity and competitive pricing reduced client reliance on self-insurance. Rate changes alone do not reflect shifts in risk transfer amounts, deductibles, and terms



Loss Control

Risk quality is still a differentiating factor. Addressing open recommendations and having a plan is crucial, as ongoing loss control scrutiny will affect capacity availability.



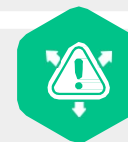
Replacement Capacity

CAT (EQ, Flood, Wind, Wildfire, Convective Storm) capacity was more readily available in Q2 2025. An increasing number of incumbent/new carriers started to aggressively deploy more capacity on certain risks.



Technical Rate

Carrier appetite for expanding capacity offerings in Q2 2025 continued to shift, with less emphasis on modeled and technical rates influencing outcomes.



Risk Transfer

Abundant capacity and competitive pricing in the current market reduce the need for self-insurance. However, insureds should maintain flexibility to self-insure parts of their property programs as a strategic measure.

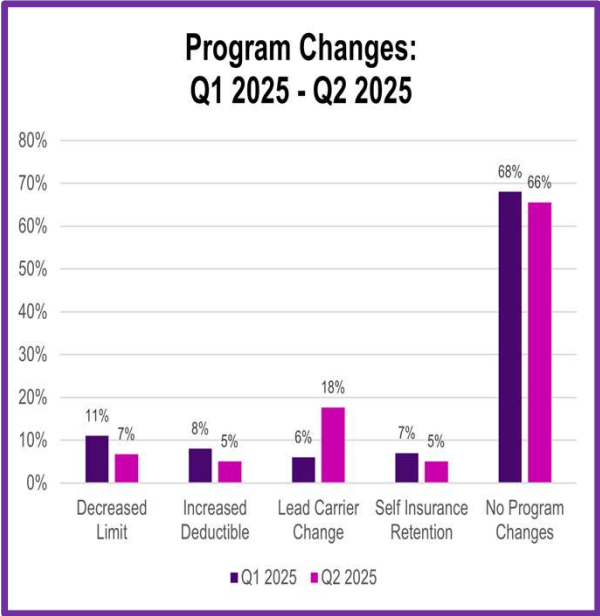
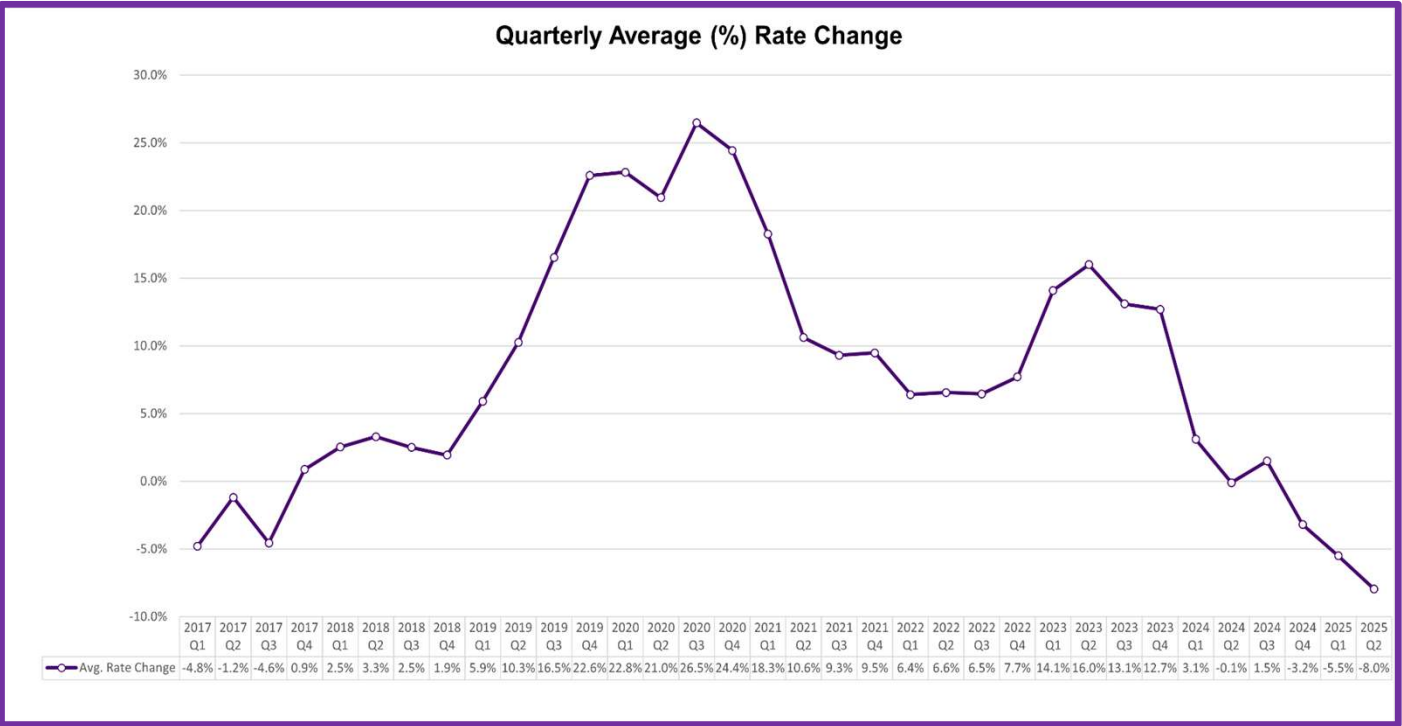
The Q2 2025 property market continued to show noticeable bifurcation between single carrier and multiple carrier structures:

- Multi-carrier programs are benefiting from increased competition, resulting in more significant rate reductions at renewal.
- Single-carrier programs also saw notable rate and terms improvements due to heightened competition in Q2.
- Accounts that experienced steep rate increases and coverage restrictions during the 2019–2023 hard market are now seeing overcapacity and rate relief.
- Underwriters are expanding their appetite in risk selection, capacity deployment, and pricing flexibility.
- Insurers are demonstrating greater flexibility on terms, capacity, and pricing—a trend expected to continue through Q3 and the 2025 Atlantic hurricane season.

State of the Property Market – Quarterly Average Rate Change

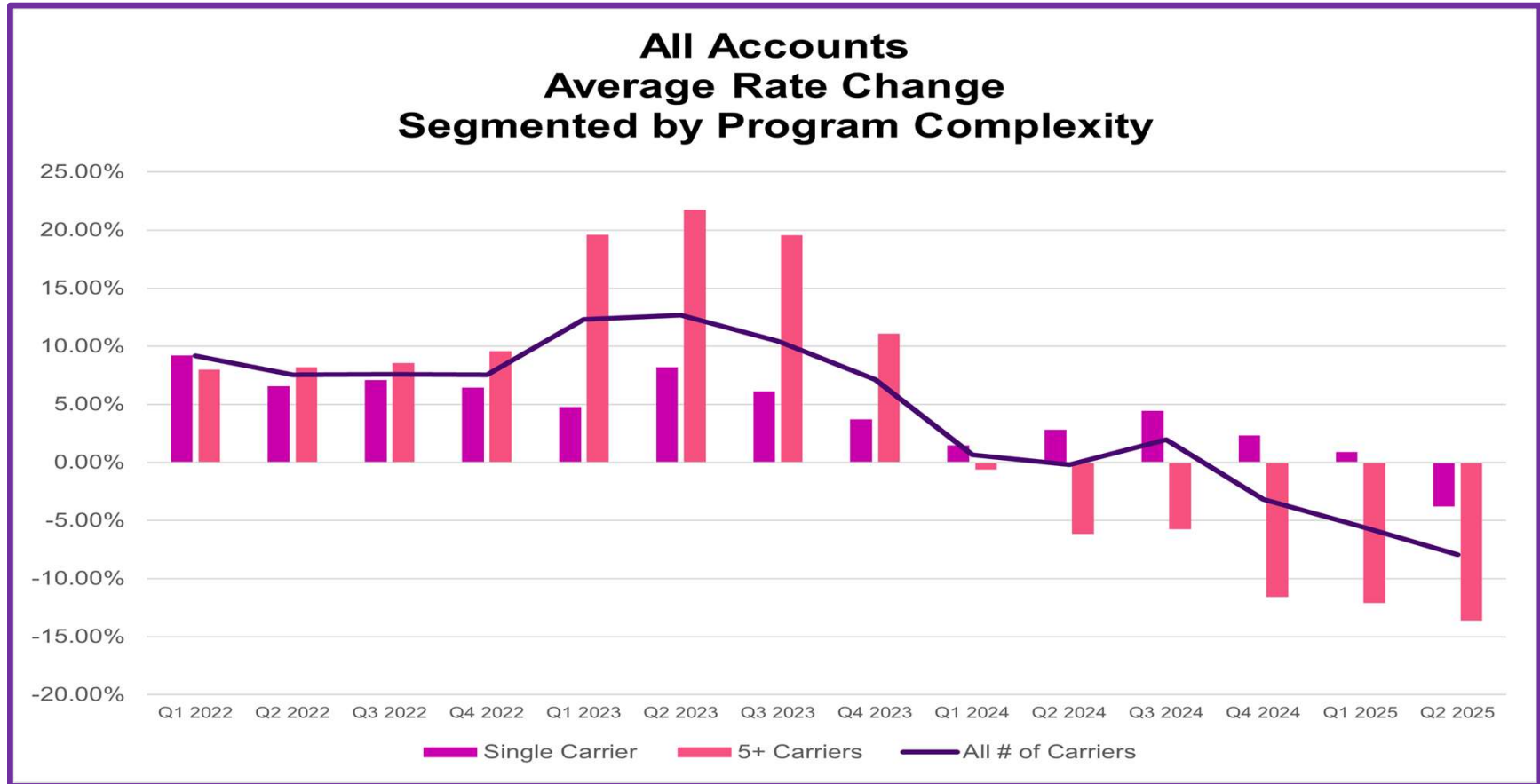
Historical average rates by quarter and renewal program changes through Q2, 2025

As the property market conditions continue to improve, we recommend that all key stakeholders be made aware of the continued challenges and inconsistencies in rate versus the average. Budgetary expectations may fluctuate based on individual risk characteristics, availability of capacity, evolving underwriting guidelines and market conditions.



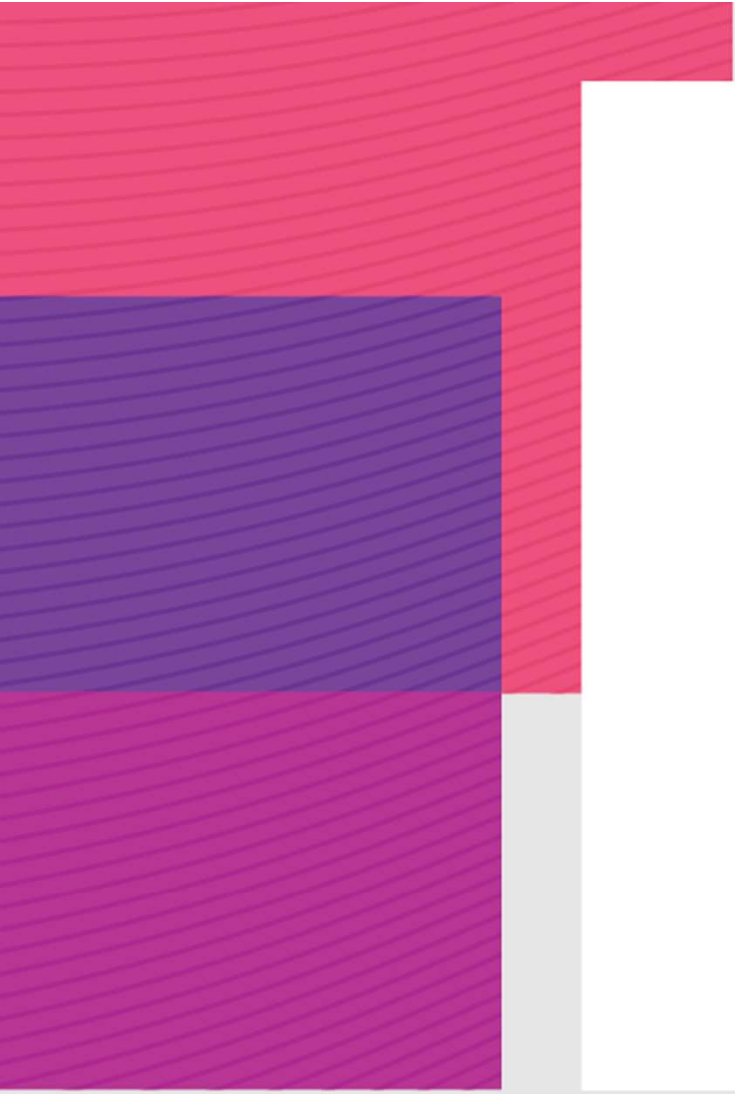
Quarterly Average Rate Change Segmented by Program Structure type

Historical average rates by quarter from Q1 2022 through Q1, 2025



Underwriters Major Concerns

- Weather related CAT events with an increased focus on Severe Convective Storm
- Terrorism and Geopolitical tensions
- Strike, Riot & Civil Commotion.
- VALUATION
 - Risk of paying unintended or larger than expected losses
 - Inadequate premium collection
 - Lack of reinsurance for a covered loss



Proper valuations and its importance in the underwriting process

Proper Valuations

Total Insured Values– The Importance of Accuracy

- Accurately measuring and presenting total insured values is a critical part of the pre-loss planning
 - Improves the post-loss process
 - Assists in making the renewal process more manageable
 - The risk of being over or under insured.
 - Insurance terms & conditions recovery may be tied insurable values
- Accurate values can be critical to:
 - Making informed decisions pertaining to the appropriate levels of covered required
 - Identifying where a company should apply its resources in disaster recovery and business continuity planning
 - Assisting in refining the accuracy of CAT models

Proper Valuations

Standards and Compliance

- The Appraisal Foundation “TAF”
 - Uniform Standards of Professional Appraisal Practices (USPAP) Guidelines
- American Society of Appraisers
 - Accredited Senior Appraiser “ASA”



Proper Valuations

What to include for Total Insurable Values

Buildings

- Define a building and be consistent. An example of a building definition: at least three walls, a roof, and a building service (i.e. electrical, plumbing, etc.). Another example: permanent structure with at least 3 walls, roof, and over 120 square feet.

Contents (business personal property)

- Establish content values through a valuation or verify values with your Fixed Asset Register and ensure Replacement Cost is listed and not Book Value.

Insurable Site Improvements

- Value accounted for in a separate item in SOV
- Examples include fencing, outdoor lighting, playground equipment, outdoor signage, etc.

Business Interruption

Proper Valuations

Definition of Values

Replacement Cost New

- as applicable to insurance valuation is the amount required to reproduce property in like utility and function, in accordance with the current market prices for materials, labor, equipment, contractor's overhead, profit and fees, but with no provisions for overtime or bonuses for labor and premiums for materials or equipment, based upon replacing the entire property at one time. The value does not take into consideration the replacement of the properties to conform to building codes, ordinances, and other legal restrictions; the cost of demolition in connection with reconstruction; or the removal of destroyed property.

Insurable Replacement Cost

- Is the reproduction cost of the subject property lessened for the cost of any component not identified as insured property, as identified by the limitations set forth in the policy to be in force.

Actual Cash Value

- Is described as equal to replacement value less accrued physical depreciation considered for insurance purposes. This type of value is determined using a combination of estimated (calculated) depreciation based on effective age in conjunction with physical inspection and condition assessments conducted on the subject property, as the effective date.

Reproduction Cost

- Refers to the expense involved with identically reproducing an asset or property with the same materials and specifications as an insured property based on current prices.

Proper Valuations

Business Interruption Approach

Our Approach will allow for a better understanding of business interruption values by:

- Analyzing the client's business interruption exposures based on original source documents
 - i.e. Profit & Loss Statements (P&Ls)
- Revising based on considerations for:
 - Business continuity plans
 - Disaster recovery plans
 - Consultations with financial and operational personnel
 - i.e. redundancies, interdependencies, available inventory, potential bottlenecks
- Concluding with the accurate and supported business interruption worksheets

Proper Valuations

The Business Interruption Worksheet

- Insurers, at times, request the completion of a worksheet for premium computations
- Worksheets can be more complex than they seem
- Limits by location are preferred
- Values allocated to each location provide a "comfort level"
- Policy holders should accurately allocate limits to review exposures/risk by location
- Worksheets can be presented based on revenue less variable/discontinuing expenses or net profit plus fixed/continuing expenses
- Worksheets are very specific as to terminology/format and do not recognize that accounting terms can differ between businesses and industries
 - i.e. energy industry as compared to retail

Proper Valuations

Recommendations – Business Interruption Values

- A high-level review of business interruption values, at least annually, to determine if the company had a material change such as the addition/deletion of business segment
- Detailed business interruption analyses for a sample of locations or specific locations selected by the client's management team. The analyses should consider:
 - The impact of downstream operations
 - Interdependencies
 - Redundancies
 - Disaster recovery and business continuity plans
- As the business interruption values by location will, typically, be greater than the maximum loss, the client should provide a breakdown and explanation of the MFL/PML
- The analyses should reflect a dual approach of sales/revenue less variable costs (top-down) and net profit plus fixed costs (bottom-up). This approach will allow the client to determine that all expense accounts have been considered and only once

Proper Valuations

Recommendations – Business Interruption Values

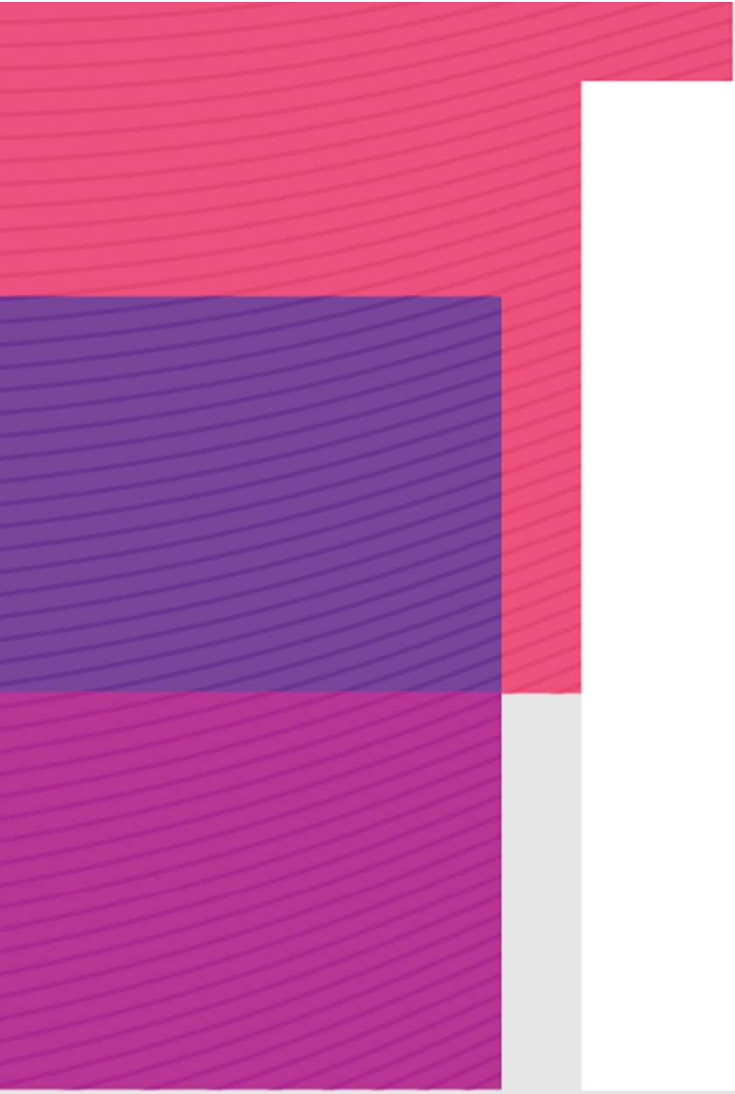
- The analyses should be based on the client's own records before considering filing the worksheets provided by the insurance carrier(s). This process will allow for a better understanding of the values from start to finish
 - A summary report should be prepared that includes explanations of:
 - The business interruption value process
 - The documentation/support utilized
 - Descriptions of each relevant location
 - Applicable interdependencies
- The analyses should be prepared in Excel format so that the client may use the schedules as a template to review similar locations and/or prepare values for subsequent periods

Importance in the Underwriting Process

- Help underwriters assess the true risk associated with insuring a property or asset
 - Coverage provided matches the actual value, preventing underinsurance or overinsurance
- Premium Determination
 - Correct valuation are critical for determining appropriate premiums
 - Help set fair and competitive pricing
- Claims Management
 - Accurate valuations ensure that settlements are based on the tur value of the loss
- Build trust with Carriers
 - Carriers know that you have a methodology behind your values

Importance in the Underwriting Process

- Helps underwriters accurately set lines and purchase reinsurance.
 - Most carriers have underlying reinsurance to minimize their risk.
 - Reinsurance is purchased based on reported values and an underreported location may result in an under-reinsured loss
 - Numerous large, underreported losses over the past several years have caused the industry to tighten their focus on valuation

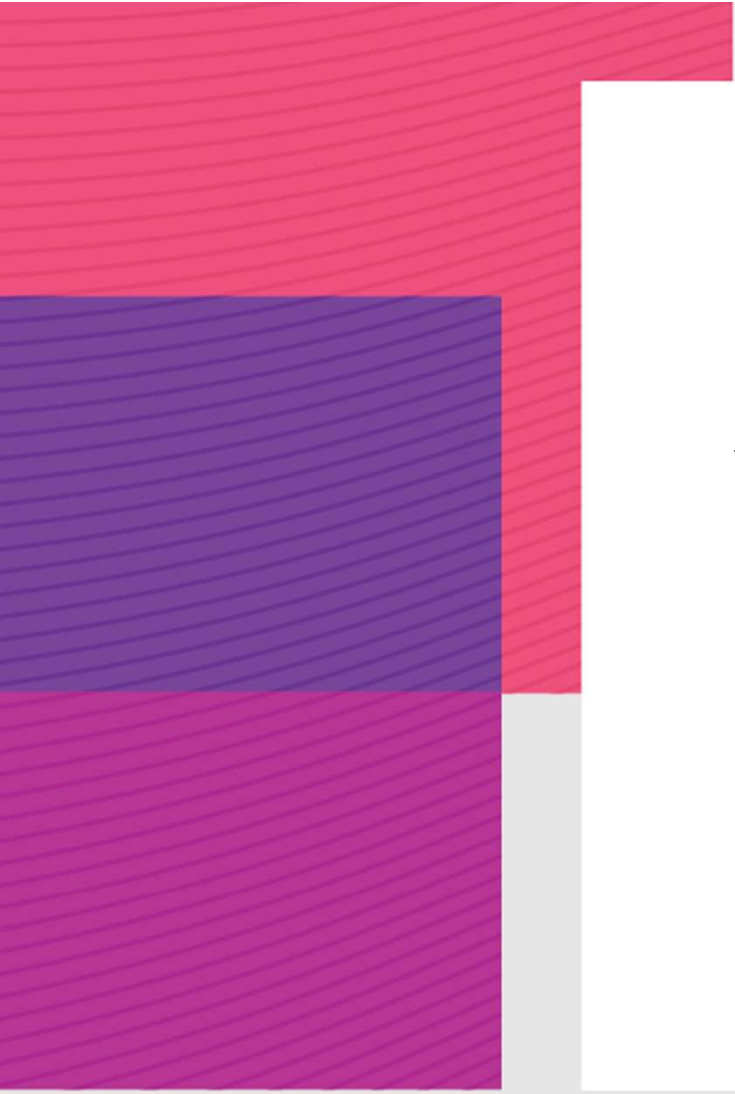


Insurers Increased Focus on Values in Current Market

Underwriting Considerations

When in doubt, underwriters will always take the conservative approach

- Insureds need a good explanation behind their values
 - Explain how and why the values are what they are – documentation is critical
 - Discuss the % increase YOY.
- Lack of comfort with values may lead to:
 - Higher rates
 - Reduced capacity
 - Restricted valuation methodology (Replacement Cost vs ACV)
 - Use of Occurrence Limit of Liability (OLLE) or Margin Clause wording



Valuation Methods and how to build a best-in-class property submission

Valuation Methods

- **Benchmark Analysis** – value of building is determined by client supplied data. This should only be used for internal discussion purposes and not for insurance placement.
 - This method should only be relied upon if a recent physical valuation was performed within the past 3 year with minimal or no changes to the building since last valuation.
- **Desktop Valuation** – value is determined using client supplied data, building drawings are provided to verify square footage and some building features, interviews with someone with local knowledge on building that can verify features and data elements, pictures provided by client.
 - Carriers sometimes accept desktop values for insurance placement.
- **Physical Valuation** – physical inspection is performed by a trained valuation consultant to verify and collect COPE and underwriting data on a building. Data collected during the onsite inspection is used to determine value of the building. Carriers accept this method and builds trust with carriers when performing physical valuations.
 - Industry standard suggests, physical valuations are good for 3-5 years. Updating/trending should be performed in following years before another physical inspection is recommended.

Valuation Methods

Data Elements

Accurate data is key to any valuation. A few of the main value drivers when determining a proper valuation include:

- Building Address
 - An accurate address should be provided and confirmed.
- Building Gross Square Footage
 - Gross square footage should be verified through 'as-built' building drawings, using a building drawing take-off software to validate, and/or physically measuring the building.
- Buildings Occupancy – Occupancy is not the same as building name.
 - Building occupancy used on a valuation report should be tied to how that building was valued withing the valuation tool. For example, if pricing a building using CoreLogic Commercial Express, the occupancy used in the software should be the same occupancy listed on the building valuation report.
 - If multiple pricing sources are utilized, the building occupancy listed in the valuation report should be tied to the dominant source used and noted the changes from the other sources.
 - Building occupancy should be tied to the buildings function and not to the building name.
 - For example: an office building suite used as a campus police station should be valued as an office building, adjusting for any unique features. This should not be valued using Police Station occupancy, as the name suggests.

Valuation Methods

Data Elements

- Construction Type (ISO Class): not all buildings are constructed 100% using the same materials. Having the percentages of different ISO types is critical to an accurate valuation.
 - ISO 1 – Frame
 - ISO 2 – Masonry / Joisted Masonry
 - ISO 3 – Pre-Engineered Metal / Non-Combustible
 - ISO 4 – Steel Frame / Masonry Non-Combustible
 - ISO 5 – Protected Steel Frame / Modified Fire Resistive
 - ISO 6 – Reinforced Concrete Frame / Fire Resistive
- Number of Stories
 - Correctly providing the number of stories helps the pricing models determine the accurate amount of materials used as well as methods of construction. Also providing an accurate average story height is important

Valuation Methods

Data Elements

- Common data elements used for building valuations:

Entity Name	Automatic Fire Alarms (%)
Site Name	Intrusion System
Building Name	Foundation
Address (verified)	Exterior Walls Finishes
Occupancy (%)	Flooring Finishes
GPS Coordinates	Ceiling Finishes
Number of Stories	Partition Walls
Avg. Story Height	Roofing
Gross Square Footage	Roof Pitch
Vacant/unoccupied	Building Services: Electrical, Plumbing, HVAC
Year Built	Elevators (#)
Additions / Renovations	Additional Features
ISO Class (1-6) (%)	Property Notes
Fire Sprinklers (%)	Building Replacement Value
Manual Fire Alarms (%)	

Valuation Methods

Secondary Building Characteristics

- In CAT exposed areas, often there is a need for Secondary building characteristics.
 - Reinsurance purposes
 - CAT modeling
- Different CAT models – each with their own set of data elements
 - RMS
 - AIR
 - Property Quantified
 - Global Peril Diagnostic
- Wind Secondary Characteristics
- Earthquake Secondary Characteristics

Best-in-Class Submission

Creating a best-in-class property submission requires a thorough, detailed and professional approach to ensure it stands out to underwriters and other stakeholders.

1. Recent physical property valuation analysis performed by a reputable firm
 - Trended values year-over-year after a physical inspection valuation is performed
2. Valuation report organized in a recognizable format to underwriters
 - Narrative valuation report with exhibits for location summary and building detail reports
 - Excel database of all data and values
3. Comprehensive and supportable data
 - Including Secondary Building Characteristics for CAT exposed properties
4. Narrative paragraph on valuation program and process