FORGE INSURANCE

www.forgeinsurance.com

7910 Woodmont Avenue,
Suite 925
Bethesda, MD 20814

Selling Insurance in a Hard Market

As we head into the season of gathering with family and friends, we don't recommend talking about tortious liability, nuclear verdicts, and social inflation. However, this paper here is a safe place to discuss selling insurance in a tough market. When you succeed selling, we succeed, it's that simple.

In the face of challenging economic times for your agency and policyholders, it is important to have talking points to explain the changing premiums endured by your customers across all lines of insurance, not just the Commercial Auto that Forge specializes in underwriting for small businesses.

The Independent Insurance Agents & Brokers (IIABA) has published the *2024 Agency Universe Study*. Excerpts published had one trend that stood out to us:

> ***"More than half of agencies identified the most important factor to succeed as developing talking points for customers about the hard market and coverage."***

We have all heard and seen more than we'd like about high interest rates, skyrocketing home prices, higher gas prices, higher food costs, increases in buying and servicing your cars & trucks, and so much more. Your agency is also a business and you must manage all these plus rising employee costs, goods, services and supplies used in your business.

These hard and soft costs are being passed on to consumers. Your customers feel it and when it comes to insurance we should be working together to share talking points that help policyholders understand changing costs.

> "***Informed customers are better and more loyal customers for your agency.***"

Periodically, a customer will share that they used to pay $1,300/year to insure their truck prior to COVID-19, and today they are paying close to $3,000/year for their insurance. They struggle to grasp why the cost has risen so much over the past handful of years, despite not having any claims over that time. We understand the question, and it's important to share that this reset in prices has been broad and pervasive. Google reports that the cost of dozen eggs in 2019 was $1.32. Today that same dozen eggs costs about $3. The correlation between the price of eggs and the price of insuring one's pick-up truck over the past 5 years is remarkable. The egg farmer and the insurance carrier are equally impacted by the underlying inflation trends in the economy over that period.

If there is good news to report here, price changes peaked in 2023, and the trajectory of pricing increases is heading lower albeit at a higher rate relative to the prior decade. We are optimistic the most acute pricing pressures are behind us, but below are some insurance specific drivers of increased pricing over the past 5 years.

More expensive repairs including impact of more auto technology on vehicles
Longer repair times due to supply chain disruptions
Extended rental vehicle times and costs due to longer repair times
More technical expertise to calibrate sensors, ADAS systems, and cameras

Speaking to the Loss Free Client about Rising Costs

Most challenging is the policyholder of yours that has no claims activity and still endures rising costs. Insurance is a business of large numbers, and it takes a lot of customers paying "*a small amount*" to "*fund the claims of the few.*" Perhaps you have clients who went years loss free until they needed the protection you and your insurance carrier provided them. These anecdotes are clear reminders that insurance is there when and if you need it and for many businesses the key to survive a random and unfortunate accident is to have the correct coverage in place to protect against the unexpected.

Balancing pricing and financial security to pay claims – the insurance promise

Insurers have a challenging job to balance consistency in pricing, coverage and service to policyholders with the financial security required by those same customers, state regulators and rating agencies.

Ultimately, insurers do not know the cost of the policies sold until years later and in the current inflationary environment it is more challenging to set pricing to cover future losses. Commercial auto has been a troubled line. Aggregate industry reported losses have outstripped premium contributions overall for much of the past decade. In 2023, it has been reported that the combined ratio for auto insurance was 109% broken down as 113% for Liability and 96% for Physical Damage. Investment income does not offset this level of underwriting loss activity, and the result is a combination of either raising rates, reduced insurer capacity to write business or withdrawal from states or classes of business.

Forge managing our underwriting strategy to produce positive results for stability

At Forge, our desire is to grow as quickly as possible while maintaining a loss ratio that consistently outperforms the broader Commercial Auto industry. I do not want to front-run our upcoming year-end letter, but I'm pleased to share our business of insuring "light & local small commercial vehicles" in the Forge footprint is performing well. We thank you for your support sending quality accounts to Forge in 2024 and we look forward to improving our business to continue to earn your support in 2025 and beyond. With your support, we can continue with strong business results that allow Forge to continue to be a steady, stable, commercial auto market for you customers in 2025 and beyond.

What we believe at Forge Insurance

We believe in the hard-working men and women who own, operate and manage small businesses.

We believe in balancing costs to our policyholders with our obligation to protect reputations and adjust claims fairly and responsibly.

We believe it is helpful to share information about the trends that are impacting your agencies and your insureds.

We believe when you succeed, we succeed.

Forge on!!

Brian Mancino, Senior Vice President of Distribution