

## 2024 Course Outline: Impact of Rising Insurance Costs on Real Estate Deals

**Topics: 3-5 minutes on each topic.**

Wes Thomas, Shepherd Insurance  
Jason Bukowski, Shepherd Insurance  
Nathan Shanks, Shepherd Insurance

### **1. Role of Insurance Costs on Property Value and Cash Flow (5 Minutes)**

- Commercial Real Estate Valuation
- Tenant Cash Flow
- Business Interruption Costs

### **2. Market Challenges (5 Minutes)**

- Recap of Challenging Year: Steep Rate Increases, Limited CAT Capacity, Increased Retentions
- Global CAT Losses Overview: \$54B in First Half of 2023
- Notable Events: Turkey/Syria Earthquake, Hurricane Otis, Maui Wildfires

### **3. Trends to Watch (5 Minutes)**

- Continued CAT Loss Increase: 5-7% Annually
- Minimal Inflow of New Capital
- Concerns Over Inflationary Pressures
- Potential Market Softening in 2025

### **4. Notable Shifts in the Market (5 Minutes)**

- Less Volatility in Replacement Cost Indices
- Growth of Surplus Lines Market
- Increased Interest in Alternative Risk Transfer
- Role of Technology and AI in Underwriting

### **5. Replacement Cost Indices (5 Minutes)**

- Impact of Inflation Easing on Valuation Increases
- Labor Shortage & Supply Chain Issues
- Expectations for Minimal Valuation Increases

## **6. Surplus Lines Market Growth (5 Minutes)**

- Increase in Premium Volume
- London and Bermuda Insurers' Role
- Rise in Difference-in-Conditions Placements

## **7. Alternative Risk Transfer (5 Minutes)**

- Growth of Captive Surplus
- Fronted Reinsurance Premiums Increase
- Expansion of Parametric Market

## **8. Technology in Underwriting (5 Minutes)**

- AI Adoption for Quick Risk Assessment
- Potential Drawbacks for Insurance Buyers
- On-demand Information & Data Points

## **9. Detailed Lender Requests (5 Minutes)**

- Challenges Faced with Meeting Insurance Requirements
- Consequences for Insurance Buyers

## **10. Insurance Terms and what they mean:**

- Additional Insured
- Loss Payee
- Waiver of subrogation
- Acord 26
- Acord 28

## **10. Q&A**

**Learning Objectives:**

- 1. Better understand impacts of insurance cost on real estate deals, including valuation and loan sizing.*
- 2. Better understand the overall property insurance market.*
- 3. How the current property insurance landscape is evolving and what can property owners do to help soften the costs and facilitate real estate transactions.*
- 4. Long term property outlook and what to expect moving forward.*

*90% Live Lecture/10% Q & A*