

# STATE OF THE LINE REPORT

SUMMER 2023

Property loss adjusting  
industry trends and  
considerations



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# Introduction

Sedgwick is known for taking a people first, tech forward, data driven approach to claims and productivity management. The extensive and diverse data we hold as the leading solutions provider in this space allows for sophisticated industry benchmarking and data analysis that can pinpoint trends, identify cost drivers and track performance metrics. How we use our robust bank of data to benefit our clients and partners is one of our many differentiators.

This report is one such value-added offering. It provides an overview of the current metrics used for our property claim programs and contextualizes the trends we see in our book of business within the broader story of the industry environment. While the report can offer useful information for your organization, it is not meant to be used as a side-by-side comparison with the data from your particular claims program. It also includes insights from Sedgwick's expert practice leads to offer perspectives on the previous period and an outlook on trends to watch for in the months ahead.

Thank you for your continued business partnership. We look forward to continuing to bring you additional data driven insights.

Sincerely,



**K. Max Koonce**  
*Chief claims officer, Sedgwick*

# Property loss adjusting

*David Guaragna*

*SVP, operations, property*

The objective of this report is two-fold: to provide an overview of U.S. property key metrics and specific metrics focused on our core business, property loss adjusting, in a comparative analysis to the broader property claims market.

Unlike workers' compensation, auto liability or general liability, property is not a monolithic product line. U.S. property consists of property loss adjusting and specialty services and contains five distinct product lines: CAT, HFLS (high frequency, low severity), middle market, large loss and TPA. Our specialty services division encompasses our forensic accountants, EFI Global (forensic engineers C&O, environmental), expert contents evaluators and building consultants. Sedgwick's repair solutions, our direct repair network, and temporary housing are also significant and growing segments of U.S. property.

## Data parameters

The Cunningham Lindsey and subsequent York acquisitions distort historical comparisons. As a result, we have restricted our data to post-2020.

To align with other business lines producing the state of the line report, we limited the data to the U.S. We have not included any data for Canada or Latin America, although they are significant pieces of the property Americas business.

## Summary/key observations

- Sedgwick's repair business continues to see growth with the largest growth in volume and percentage of all our significant business units versus the first half of 2022.
- Our SDA business (London Market TPA) claim count normalized over the first half of 2023 versus 2022, resulting in a noticeable decrease. This was a direct result of Hurricane Ian, which had a substantial impact on this book of business.
- Challenges around talent persist, including recruitment and labor shortages — particularly when seeking experienced commercial or desk adjusters.
- Pressure to perform in the area of defined metrics continues to be an area of emphasis across the industry.
- Internal referrals and driving market awareness of the complimentary suite of services offered by Sedgwick continue to be key as clients continue to look for a one-stop simplified solution to their service needs.
- An industry-wide focus on digital automation has kicked off multiple initiatives to enhance and quicken the overall digital strategy of the property Americas group.
- From estimating platforms to roof-measuring technology, the claims space is filled with technology options. However, the lack of consistency and standardization of technology between clients and partners remains a challenge.
- The first half of 2023 saw consistent growth in Sedgwick's U.S. business. This was driven by continued organic growth and a consistent level of small but impactful weather events throughout the winter and spring.

## New claim count by line of business

New assignment volume for the first half of 2023 resulted in an increase of 20% year over year (YOY). This is primarily due to the continuation of organic growth and small, but consistent, weather events over the first half of 2023.

U.S. field operations grew nearly 30% YOY, driven by an increase in catastrophe claims and organic growth. This organic growth was driven by increased productivity and service delivery.

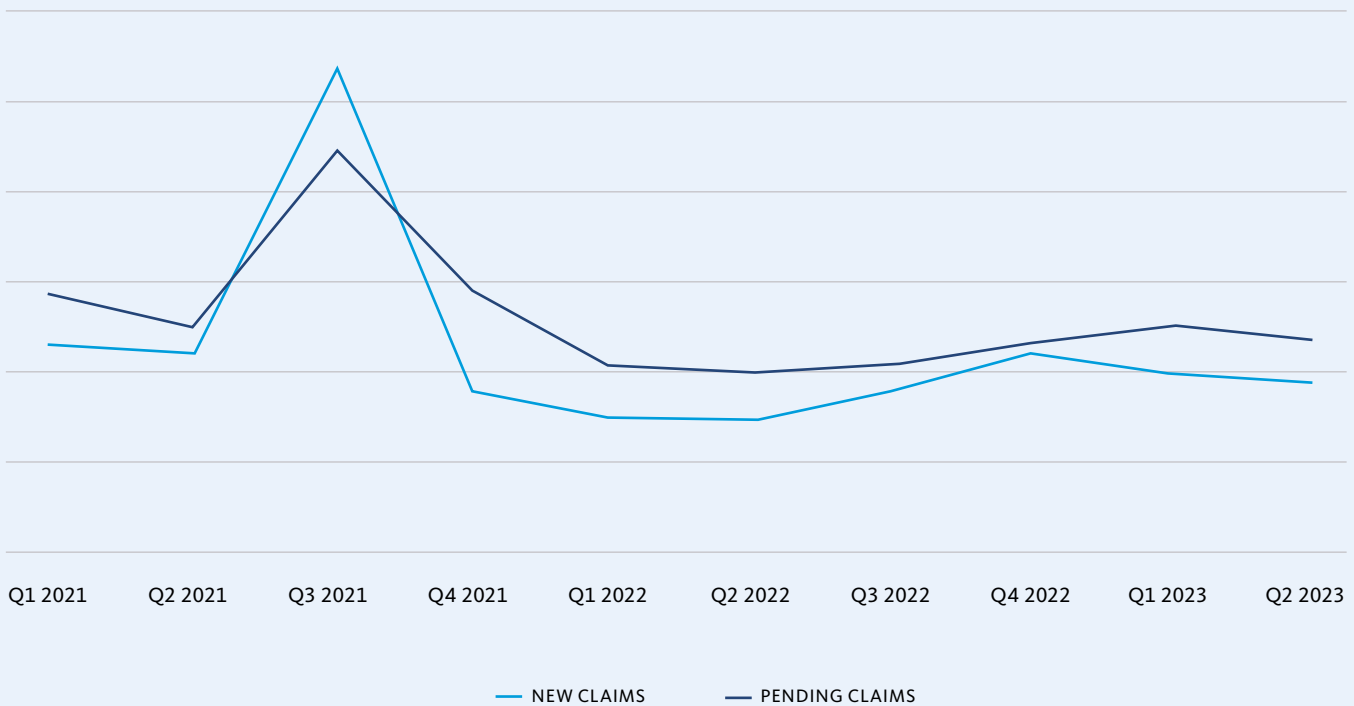
A nuance in utilizing new claim intake as a key trend indicator is the growth of HFLS desk work. These claims are primarily worked within the client's claim system and are not accurately reflected in the figures noted below (-2.6%). Year over year, our HFLS business

unit grew 38%, which indicates that desk outsourcing continues to be a growing market in the property claims space. This has been a relatively recent development and one of the most significant impacts we have noted coming out of the COVID environment.

### Pending versus new claims (excluding repair solutions)

The below chart reflects an overall 11.8% increase in pending claim count, which aligns with the new claim trend of an overall 19.1% increase. The 8% delta indicates the significant amount of HFLS assignments. It also reflects the market demand for quick closures and Sedgwick's commitment to quickly turn over our outstanding pending inventory. This is a high area of focus for Sedgwick's property personal lines auto and homeowners' book of business.

TREND OF NEW CLAIMS VS. PENDING CLAIMS



**New claim field ops versus HFLS**

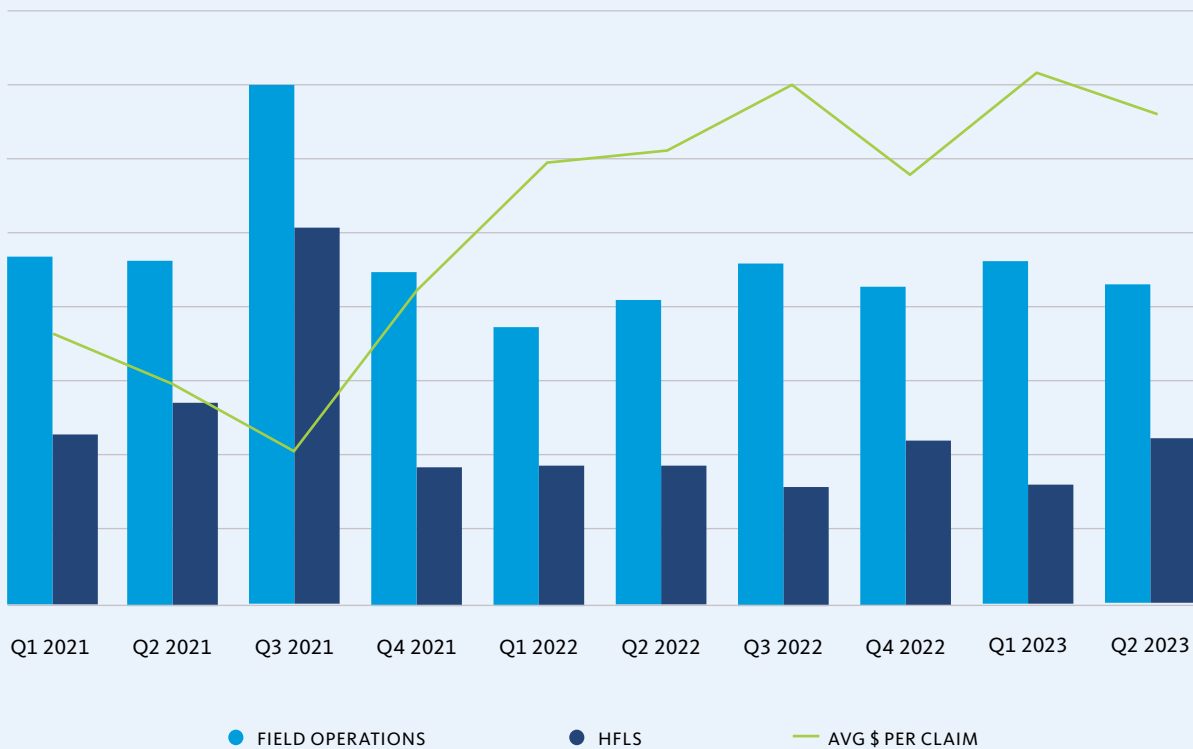
Property continues to be a full-service claims provider by diversifying our portfolio of service offerings while also focusing on all lines, including personal, mid-market and large loss. Within the personal lines space, the HFLS business unit continues to be an area of focus. The industry's approach and expectations for adjusting and handling these claims are different. The HFLS business unit has developed unique solutions to address these expectations and is specifically monitoring our trends in this space.

The below graph indicates our overall trending assignments in comparison to our traditional field loss adjusting assignments (mid-market and large loss). The graph indicates a slowdown in Q1 2023 with a normalization in Q2. As a reminder, a significant amount of HFLS business is desk work handled in client systems; these numbers are not reflected here.

Key areas of focus in the HFLS market are emerging technologies and automation. Speed of initial payment continues to be the number one driver of NPS (Net Promoter Score) in the personal lines property space. Clients are continuously looking for newer and faster ways to process property claims and leverage emerging technologies. Sedgwick continues to be a market leader in developing new technologies for the property space. In 2022, Sedgwick released an end-to-end, self-service solution designed to allow insureds to adjudicate routine property losses by interacting with a decision-engine-based tool. With this tool, the insured answers basic questions about the loss, and it provides the data necessary to complete an estimate and make the initial payment. Enhancements continued throughout 2022 and the first half of 2023.

**NEW BILLING ASSIGNMENTS**

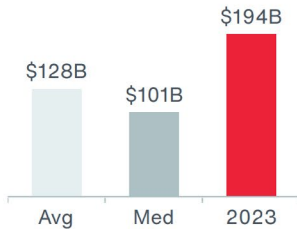
*Field operations vs. HFLS*



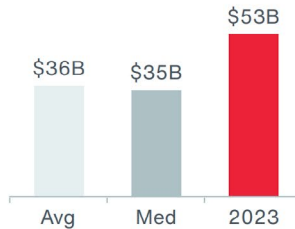
## New claims versus CAT claims

Research suggests that severe weather events will continue to occur and their severity and frequency will increase. According to Aon's "Global Catastrophe Recap - First Half of 2023," 2023 saw elevated levels of disasters, with the fifth highest on record and the highest since 2011. Damages were \$194 billion with insured losses at \$53 billion. Convective storms are the predominant driver with 70% of insured losses globally and 77% of all insured losses in the U.S. *Data Source: Aon*

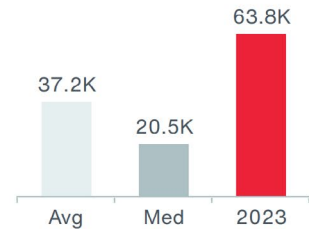
### 1H Global Economic Losses



### 1H Global Insured Losses

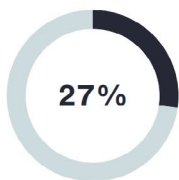


### 1H Global Fatalities



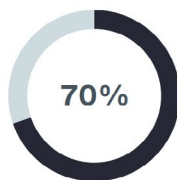
### Protection Gap

Only a quarter of total losses covered by insurance



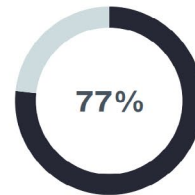
### Severe Convective Storm

Costliest peril for insurers with 70% of global losses



### United States

3/4 of global insured losses occurred in the United States



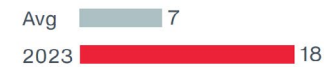
### Total Events



### Billion-Dollar Events (Economic)



### Billion-Dollar Events (Insured)



Averages and medians since 2000. All losses are in 2023 USD (adjusted for price inflation). *Data: Aon Catastrophe Insight*

## Key metrics

Metric performance is a key determining factor in our clients' choice of partner. Property continues to increase resources and tools to improve our ability to calibrate, capture and present metrics. This data allows us to drive increased performance via management by exception.

In 2023, we are also increasing spend and focusing on advancements in automation to increase communication to policyholders, claimants and clients as well as leveraging robotic processes and AI to speed up the claims process and provide efficiencies. Together, we look for

these enhancements to continue to help Sedgwick provide best-in-class service across the property claims service space.

Below is an example of our metric adherence by percentage for our regional field operations for all business lines at the time of file closure through May 2023. Our field operations leaders and managers can dive down from this all-claim level view to a specific adjuster and/or claim level view, ensuring that they can focus on where attention is needed.

### KPI METRIC ADHERENCE % BY REGION

Region	Acknowledgement	Contact	Inspection	Estimate	First report
Grand total	98.33%	95.16%	89.13%	82.91%	88.91%

## Considerations for 2023

### **Sedgwick trends**

Overall, U.S. property saw significant growth over the first half of 2023. This was primarily driven by organic growth in our field operations and by a steady stream of small, but impactful, CAT events across the country.

A portion of our field growth is driven by our continued market-leading position in the large loss space. Sedgwick's large loss team of adjusters is the largest and most experienced in the U.S. market. There is significant competition, and this expertise-driven market requires a high level of attention and diligence to acquire and maintain our talent. They are a continued target of the competition, so we must remain vigilant in offering the best environment for our colleagues to flourish and grow. This has not changed since the year prior and will likely remain a constant. Our continued high level of retention shows that the various programs structured specifically for colleague growth and retention within Sedgwick property are successful.

Sedgwick has consistently been a market leader in technology. With the acquisition of Cunningham Lindsey in 2018 and the continued growth of our repair solutions business, Sedgwick has moved more and more into the HFLS space. As a result, property has seen a need to increase its level of automation focused on centralized services.

Property has embarked on a digital transformation project with the goal of automating several key functions within the claims process, allowing claims professionals to bring their expertise to the part of a claim where it is truly needed. This is a trend industry-wide, though each business faces its own unique challenges and must find a way to leverage the tools available.

### **Industry concerns**

- Climate change impacts on surge
- Fee pressure in HFLS space
- Emerging technologies (automation/AI)
- Metrics
- Wage
- Labor competition (expertise market)
- Experienced labor (catastrophe)





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