

**CURRENT TRENDS IN INSURANCE: NAVIGATING INNOVATION,  
CATASTROPHES AND LEGAL COMPLEXITY**

## **I. Introduction**

The first half of 2025 has seen upwards of \$100 billion dollars in losses arising from natural catastrophic events, highlighted by the Los Angeles wildfires. By one estimate, this is the second largest half year for these types of losses ever. See, [1H-2025-Global-Catastrophe-Recap.pdf](#). See also, Swiss Re sigma reports; Munich Re reviews. This paper seeks to address some of the issues and concerns that the industry is facing in light of scope and magnitude of these losses and how to best respond to them.

## **II. Consumer Education - A Growing Gap**

A 2024 study found that 86% of respondents believed they had a strong grasp of their insurance coverage. When the respondents were questioned concerning aspects of their insurance coverage, a significant percentage were incorrect or unsure of coverage specifics. Among the study findings were:

- Flood Damage: 56% of Americans are unaware that a standard homeowners policy does *not* cover flood damage.
- Home Renovations: 70% are unaware that a standard homeowners policy does not cover materials or fixtures that are to be installed during renovations.
- Home Inventory: 46% do not have or are unsure if they have a home inventory of major household items in case they need to file a claim.
- Business Use of Vehicle: 55% are unaware that a standard auto policy does *not* cover business use of the vehicle.
- Items Stolen from Vehicle: 44% incorrectly believe that personal items stolen from their car are covered by a standard auto insurance policy, though it is in fact a standard home or renters insurance policy that typically covers such theft.
- Parking Tickets: 57% are unaware that a parking ticket, in general, won't affect a driver's auto insurance premiums.

See, 2024 Trusted Source® Survey.<sup>1</sup> While the sample size of the survey was relatively small, the responses provide a glimpse of the issues that insurers face when a loss generally, or more specially a catastrophic loss occurs. This knowledge gap with insureds has profound influences on the market and policyholder responses when a catastrophic event occurs. In addition to the severity of the losses, these factors contributed to the market exits, such as in Florida and California, over the past several years. Among the important aspects related to coverage that policyholders may not understand, include specific coverage details, claims timelines and dispute processes. The collective impact increases mistrust and results in litigation. While there is no single step the industry can take that would eliminate the threat of litigation, many claims can be stopped short of litigation through proactive communication, which can lead to fewer legal disputes into a more streamlined claims process, discussed more fully below.

## **III. Time To Settle - Over 400 Days**

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<sup>1</sup> [Trusted Choice Graphic.jpg \(574x1483\)](#).

It is axiomatic that when a catastrophic loss occurs, the lives of personal lines policyholders that are forced to make a claim on a policy of insurance have been upended. Similarly, the operations of businesses and companies face significant disruption. Currently, based on some estimates, the average time to close a property or casualty claim is over 400 days. A 2025 J.D. Power survey found that repair cycle times continue to rise: The average claim cycle time—the amount of time from filing the claim to finished repairs—is now 32.4 days and the average cycle time from first notice of loss to final payment is now more than 44 days, both of which are the longest times since 2008 when the study began. The average overall customer satisfaction score for a claim that is completed within 10 days is 762 (on a 1,000-point scale). That score falls 167 points to 595 when repairs take more than 31 days. See, [2025 U.S. Property Claims Satisfaction Study | J.D. Power](#).

The survey additionally found that half of surveyed customers had insurer-initiated premium increases during the past year with the largest proportion of increases in Arkansas, Colorado, Kansas, Michigan, Minnesota, Nebraska and Oklahoma. This led to a significant decrease in satisfaction scores as compared to situations where there is a claim that leads to a premium increase. *Id.* Finally, the survey found that ease of communication has a significant influence on the customer experience. The survey found that overall satisfaction scores are more than twice as high when customers say it is very easy to communicate with their insurer then when they say it is very difficult or somewhat difficult to communicate with them. Common failure points include when needing to leave a voicemail, calling repeatedly for answers to questions and not receiving timely follow-up emails and/or text messages. *Id.*

Outstanding communication serves as a means to negate the already emotionally fraught situation where someone has lost a house or a business that cannot operate. The question then is why communication with insureds sometimes falter. The reasons are often various and multi-faceted, depending on the insurer. As an older generation of claims handlers retires, insurers have struggled to replace long tenured and experienced employees with new hires, leading to staffing shortages. Additionally, when a catastrophic loss occurs, there may be thousands of new claims made almost simultaneously, potentially straining the capacity of a claims department. Additionally, if litigation commences and is complex in nature, with potential coverage issues present, the length of time the claim remains open can increase.

The risks associated with the claim remaining open are self-evident from the insurer perspective. Bad-faith exposure increases with corresponding increased legal costs to defend the claim. However, the industry has opportunity despite these sometimes troubling findings. Early resolution strategies can be implemented that positively impact the claims handling process leading to decreased costs resulting from claims becoming closed in earlier time frames.

#### **IV. Enter AI - Promises and Pitfalls**

The full uses of AI in the claims handling process are beyond the scope of this paper, however, briefly stated, industry members have implemented AI for automated triage, fraud detection and claims evaluation. While the use of AI promises to increase efficiencies and reduce timelines for various action points, there are risks. Bias and algorithmic opacity, discovery issues

and regulatory scrutiny are all emerging issues. April Minkus and Keith Rahman of Markel recently published an article providing helpful tips regarding the risk mitigation. See, [Top 10 insurance industry risk mitigation insights related to AI | Markel](#). Among the suggestions included were establishing a diverse team to reduce bias; regular audits of AI systems, including monitoring AI outputs to detect and correct biases and inaccuracies, including review of claims processing algorithms to validate they are not improperly denying claims or increasing premiums for certain groups; maintaining human oversight; continued reliance on human oversight; use of on-the-ground knowledge including open communications with underwriters and brokers; compliance with privacy laws; understanding third-party vendor practice; the use of caution when AI systems are part of product offering; implementation of ethical guidelines to confirm the scope of permissible AI use; keeping up to date on regulatory compliance and engagement with stakeholders. *Id.*

While this is not an exhaustive list and each insurer will be uniquely situated to tailor policies and procedures to their own systems and company, it provides a baseline for considerations that all insurers likely need to examine as the use of the AI expands into additional areas of the industry. Attorneys defending the industry must be prepared to defend or challenge AI-driven decision making it incumbent to not only keep abreast of the latest developments in AI, but industry and client specific issues and programs.

## **V. Catastrophes Are Redefining Risk**

In August 2023 Hurricane Idilia, a Category 4 storm, slammed into Florida coastal Big Bend in Levy, Dixie, and Taylor counties. Storm surge inundations of 7 to 12 feet along the coast. The storm caused between \$12 and \$20 billion dollars damage. Estimates vary, however, it appears that there were around \$300 million in insured losses arising from the storm with over 17,000 property damage claims filed. See, [Catastrophe Reporting](#) (Florida Office of Insurance Regulation). Shortly thereafter, the California wildfires slammed the insurance industry with claims. By February 2025, insurers had paid out almost \$7 billion dollars in claims arising from the fires, involving over 33,000 claims for home, business, living expenses and other disaster related needs. There were also over 5,500 auto claims made. See, [ICYMI: Commissioner Lara creates first-ever public consumer claims tracker to monitor claim amounts, payments, and provide transparency](#). The consequences of these two events present a stark picture of what the insurance industry has faced in just over two years.

The consequences of these two events resulted in a surge of large claims, which overloaded adjusters. In Florida, regulators fined eight insurance companies more than \$2 million total for conduct such as using adjusters who were improperly appointed; not acknowledging receipt of claims communications in a timely manner; not including certain disclosure statements when providing estimates on damage claims; failing to provide Homeowners Claims Bill of Rights; and failing to pay interest when owed. These fines led to adverse coverage for the industry. See, Carbonaro, Giulia “Florida Insurers Fined Millions Over Mishandling of Hurricane Claims” Newsweek, September 3, 2025, [Article](#).

The California wildfires led to well-publicized disputes regarding whether some insurers would continue to write coverage in the state with significant numbers of non-renewals issued.

Premiums were also increased to address the losses. California attempted to address these issues by increasing participation in its FAIR Plan, the insurer of last resort in the state. Also, in late 2024 the California Department of Insurance enacted changes to the regulatory program to make the state more appealing to insurers issuing homeowners' policies. The implementation of this program had just started when the January Los Angeles wildfires occurred, further stressing the market.

In a recent superb paper “the authors from the National Bureau of Economic Research noted that under the new insurance regulations in California, insurers are now permitted to use CAT models to classify wildfire risk and price differentially on the basis of assessed risk exposure. See, Boomhower, J., Fowlie, M., Gellman, J., and Plantinga, A., “How are Insurance Markets Adapting to Claim Change? Risk Classification and Pricing In the Market for Homeowners Insurance,”©, National Bureau of Economic Research, June 2024, rev. February 2025, at p. 7. Insurers were previously restrained in this respect. Noting that insurers had requested rate increases of 20-30% following the recent wildfires, the authors concluded that their statistical analysis revealed the empirical evidence is consistent with a form of adverse selection in which less well informed firms face a winner’s curse in the high-wildfire risk market segment. *Id.*, at p. 33. While the authors conclusions are their own, it would appear that their study concluded that insurers are often relying on inconsistent data in making individual decisions concerning underwriting certain losses. This in turn would inevitably lead to inconsistency in outcomes and losses incurred. This finding further confirms that insurers continue to struggle in attempts to quantify risk as events such as the Florida hurricane and California wildfires produce regular losses that were once only remote and uncommon occurrences.