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TMH Horizons

FORECAST 2025: TRENDS IN FLOOD, SPECIALTY PROPERTY & FINE ART INSURANCE



Contents

Introduction	3
Private Flood	4
Specialty Property	6
Fine Art	8

The fluctuating global economy and changing climate will present insurance challenges in 2025

Rising climate risks, economic trends and shifting consumer behaviors are reshaping insurance coverage needs and underwriting strategies. Increased capacity is pushing down insurance rates, affecting renewals and new business, and making true growth a challenge.

Underwriters are becoming more selective in the risks they write, particularly in catastrophe-prone areas, and limiting policy concentration in high-risk areas to mitigate potential losses. With today's fluctuating insurance landscape, agents and brokers must work harder to stay ahead of industry trends to best serve clients and ensure they're adequately protected for any event that comes their way.

Demand for private flood insurance continues to expand, with economic and real estate trends — including rising construction costs and shifts in homeownership — creating greater levels of exposure. With many property owners underinsured for flood events or unaware of their flood exposure, agents and brokers will continue to play a key role in educating clients about their risks and the comprehensive coverage available beyond National Flood Insurance Program (NFIP) limitations.

Catastrophic weather events, including wildfires and convective storms, are also causing market volatility in the specialty property insurance marketplace. Insurers are tightening underwriting standards or withdrawing from high-risk regions. Litigation trends and real estate market shifts are further complicating coverage. For example, the rising number of lawsuits in all areas of the insurance industry — also known as social inflation — has increased liability claims in the U.S. by 57% in the past 10 years.¹ It is imperative for brokers and agents to partner with carriers who can navigate this evolving landscape.

The same CATs impacting the specialty property market also are increasing underwriting scrutiny for fine art and collectibles insurance. Brokers will need to educate their clients on risk management and the benefits of specialized coverage to protect valuable assets.

Successful agents and brokers will need an enhanced arsenal of tools to maintain and expand their books, and to find clients the coverage they need to survive an event and thrive. From leveraging data-driven assessments of risk to embracing emerging technologies to better educate insureds, agents and brokers able to use this enhanced information will be best equipped to ensure their clients have adequate coverage and long-term resilience.

Insurance as a percentage of mortgage payments has **risen to more than 20%** from about 8% a decade ago.²

¹Risk & Insurance, "[Social Inflation Drives 57% Surge in US Liability Claims Over a Decade](#)," September 11, 2024.

²First Street, "[Property Prices in Peril](#)," February 3, 2025.

Climate Risks and Claim Values Key Challenges in 2025

Rising demand for flood insurance will lead to continued expansion of the private flood insurance market. In 2024, the federal government declared 66 flooding disasters, largely due to heavy rainfall following Hurricanes Debby, Helene and Milton. National Flood Insurance Program (NFIP) losses from just Helene and Milton are expected to be in excess of \$10 billion.³ However, it's estimated that fewer than 1% of properties that sustained flooding from Hurricane Helene were covered by a flood insurance policy.⁴

Between 2006 and 2020, more than 80% of flood losses occurred outside of Federal Emergency Management Agency (FEMA) delineated high-risk zones,⁵ and pluvial, urban and flash flooding continues to increase in frequency and severity throughout the U.S. This trend, along with increased construction costs and post-disaster demand surges for contractors, are leading to higher claim values, and presenting new challenges in underwriting, pricing and ensuring insurance adequacy.

ECONOMIC AND REAL ESTATE TRENDS

Today's migratory trend toward southern, coastal states continues to drive up housing prices, leaving many home and business owners underinsured.

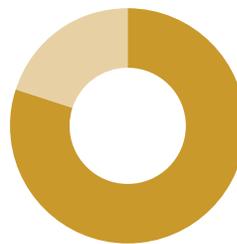
With low inventory in these booming real estate markets, many are choosing to significantly modify existing properties in lieu of moving, increasing the insured value of their properties, as well as the potential for losses. Those with flood coverage may find they do not carry enough insurance to fully repair or rebuild their properties after a loss.

At the same time, inflation and rising daily expenses are causing many property owners to reduce or forgo

non-mandated insurance coverage, such as flood. With changing climate risks and constantly evolving flood maps, many property owners may be unaware of their flood exposure — or the limitations of their homeowners' insurance policies.

Another growing area of exposure is properties in wildfire zones. Areas that have experienced significant vegetation loss are at high risk of flash floods and mudflow due to the ground's inability to absorb rainfall. In mid-March, California authorities issued mudslide and debris flow warnings for residents located in and around the 40,000-acre area scorched by January's Palisades and Eaton fires.⁶

Underwriters are adjusting to these shifting exposures by leveraging new data sources and risk assessment tools to better evaluate coastal and inland flood risks. By providing agents and broker partners with this enhanced intelligence and analytics, they can better educate clients on their exposures and more accurately assess their insurance needs.



More than **80%**
of flood losses
occurred
outside of
high-risk zones.

³Federal Emergency Management Agency, "[FEMA Exercises Borrowing Authority for National Flood Insurance Program](#)," February 10, 2025.

⁴Insurance Business America, "[Flood insurance demand surges in 2025 as Guy Carpenter warns of expanding risks](#)," March 5, 2025.

⁵Environmental Research, "[Predicting flood damage probability across the conterminous United States](#)," 2022.

⁶NBC News, "[L.A. officials issue evacuation warnings for wildfire-affected areas ahead of heavy rain](#)," March 12, 2025.



LEVERAGING TECHNOLOGY

Weather patterns aren't the only changes affecting the private flood insurance market — the way technology is used in both procurement and underwriting is shifting. Today's new property owners gravitate toward digital solutions for purchasing and managing policies, and agents and brokers are increasingly embracing digital solutions for underwriting. Platforms such as Tokio Marine Highland's TMH₂O primary flood portal allow agents to easily submit, qualify, quote, bind and issue a primary private flood policy in minutes. Unlike others, agents using TMH₂O can still directly communicate with TMH underwriters to better understand pricing and risk, and in turn, can educate their clients and find the best flood solution for their needs.

Underwriters are also increasingly embracing new technologies to obtain real-time data and conduct location-level exposure analysis to best assess risks and improve the affordability of flood insurance overall for policyholders. Many tech options are going beyond flood mapping by integrating risk management tools and processes to expedite claims handling and assistance.

ENSURING CUSTOMER RESILIENCE

To help clients make informed decisions about flood coverage, brokers and agents need to reach out before the storm and proactively discuss the need for flood insurance before it becomes an immediate concern. Focus on education, risk assessment and policy enhancements, and encourage clients to secure flood coverage before they experience a loss.

Agents and brokers should also make sure they're working with a carrier partner with the longevity, track record, analytics and expertise to effectively protect their customers from losses in these changing times.

- **Educate beyond flood maps.** Many home and business owners believe they are safe from floods if they are not in a designated high-risk zone. Leverage flood modeling, aerial imagery and real-time weather trends to personalize discussions with clients. Showing specific risk factors for their property can make a compelling case for coverage and the importance of insuring-to-value.
- **Emphasize claims and recovery benefits.** Private flood insurers have access to top-tier restoration vendors and claims professionals to help policyholders recover and receive compensation from a covered flood event quickly. Work with carriers that maintain relationships with specialists that will prioritize their policyholders after a flooding event and help them more quickly rebuild, repair and recover.

- **Coverage can extend beyond the building.** The options available in the private flood market continue to expand. Make sure customers understand that flood policies can also include options such as additional living expenses (ALE), business interruption, debris removal and basement coverage.
- **Focus on the big picture, not just price.** The options are abundant for purchasing flood insurance, but agents and brokers need to look beyond price. Does the insurance carrier have a track record of paying their claims? Can their book withstand a catastrophic flooding event? Do they have relationships with preferred vendors to help their insureds after a flooding event? Do they have competent and caring customer service representatives? Clients unable to access clean-up services, contact actual claims professionals and quickly obtain cash after an event are likely to go elsewhere.

CAT Events Will Remain Disrupter in 2025

Many property owners face limited coverage options in the property insurance landscape, forcing them into last-resort solutions like California’s Fair Access to Insurance Requirements (FAIR) Plan or lender-placed insurance. In the Midwest and other regions frequently hit by wind and hailstorms, insurers are either significantly increasing rates or withdrawing from the market altogether. Many carriers have exited the market or excluded key coverages such as roof protection, pushing borrowers into the lender-placed market.

UNPREDICTABILITY IN UNDERWRITING

The increasing frequency and severity of convective storms, wildfires and flooding events has made underwriting in the specialty property insurance market more challenging. Insurers paid out more than \$12 billion in claims in the first quarter of 2025 for January’s California wildfires, with more payments expected.⁷

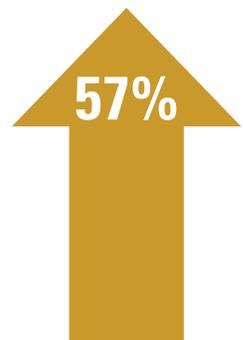
Globally, natural disasters caused \$368 billion in losses in 2024, with more than three quarters of those losses attributed to the U.S. as a result of hurricanes along the coast and severe convective storm damage in cities including Dallas, Houston and Denver.⁸

Insurers are increasingly pulling back coverage from wildfire- and flood-exposed areas and are even pausing on writing coverage where convective storms are prevalent.⁹ This unpredictability in insurer participation is making specialty property insurance more challenging.

In the past, underwriting primarily focused on economic risks, but today, tracking carrier exits on a state-by-state basis has become just as critical.

As more insurers pull out of high-risk markets, underwriters must balance risk exposure without becoming the de facto primary insurance provider in those areas. Properties with newer construction and better maintenance remain the most insurable, making risk mitigation efforts crucial for policyholders.

Liability claims have increased **57% in the past 10 years** due to social inflation



⁷Intelligent Insurer, “[Insurers pay out more than \\$12 billion on LA wildfire claims so far](#),” March 12, 2025.

⁸Reinsurance News, “[Natural disasters caused US\\$368 billion in damages in 2024](#),” January 23, 2025

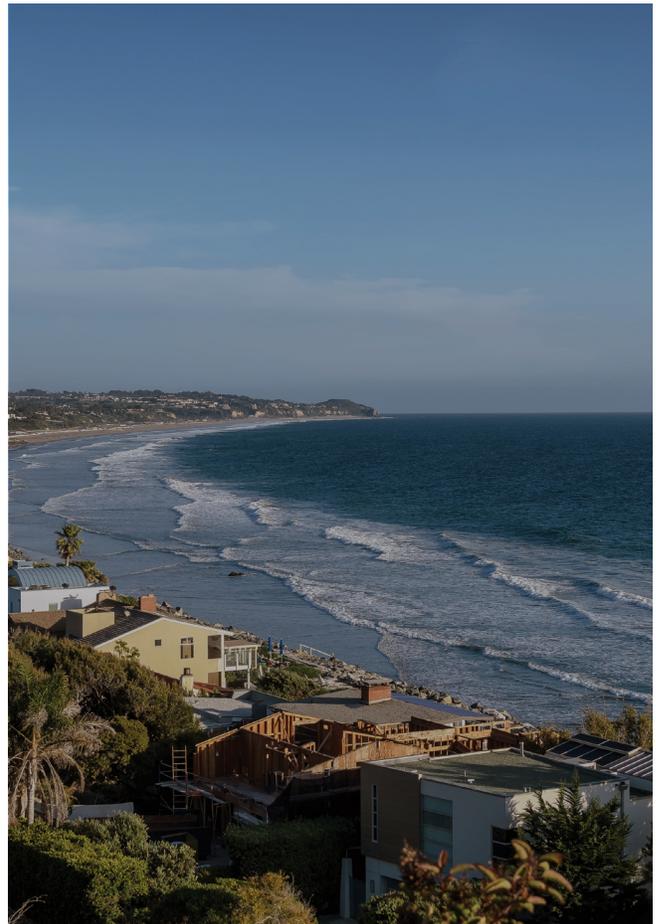
⁹CNBC, “[Insurers such as State Farm and Allstate are leaving fire- and flood-prone areas. Home values could take a hit](#),” February 5, 2024.

REAL ESTATE AND OTHER PRESSURES

The health of the real estate market and overall economy plays a significant role in the specialty property insurance sector. Historically, spikes in unemployment correlate with an increase in lender-placed insurance, as homeowners struggling with mortgage payments may lapse on their insurance policies.

While today's lending environment is stronger than in 2008, a significant shift in homeownership trends is impacting insurance underwriting. The rental market has grown significantly over the past decade, causing insurers to adjust their risk models to account for the unique exposures associated with these properties. Real estate investors are purchasing distressed properties at higher rates, with many moving away from quick flips and toward long-term rental strategies.

To help clients make the best decisions about specialty property coverage, brokers and agents should focus on education, risk assessment and policy enhancements, and ensure they're working with an experienced carrier partner that has the information and expertise to succeed.



Educate clients on risk mitigation.

Work with clients to understand how the condition and location of a property impact insurability. Encourage property owners to take proactive steps to protect their investments, such as installing fire-resistant landscaping in wildfire-prone areas or upgrading roofing materials in hail-prone regions. Preventive measures can help secure better coverage and rates. Investors looking to rent properties long term should maintain high property standards to remain attractive to insurers.



Stay informed on carrier availability.

Keep track of which insurers are exiting specific markets, and which are adjusting their underwriting standards. Having up-to-date knowledge ensures that brokers can offer viable alternatives to clients facing limited options.



Take the time to find the right fit.

Brokers and agents are increasingly under pressure to deliver competitive quotes rapidly. However, this approach can prevent a carrier from conducting a thorough underwriting assessment of the risk, which could leave the client exposed and affect the carrier's likelihood of renewal.



Partner with experts for creative solutions.

When facing complex insurance challenges, collaborate with carriers and underwriters who specialize in problem-solving. If a particular provider can't meet a client's needs, leverage industry relationships to guide them toward alternative solutions.

Fine Art Market Remains Steady in 2025 Despite Changes

Wildfires, flooding and convective storms may be affecting residential and commercial insurance rates around the U.S., but in general, the fine art and collectibles insurance marketplace remains stable with rates steady. While insurers will continue to compete for non-catastrophe fine art and collectibles risks, underwriters are likely to tighten underwriting practices and adjust rates in catastrophe-prone regions, particularly in California. Carriers with significant CAT exposure in 2024 may also impose moratoriums on new clients located in high-risk areas, while others will remain open for submissions but with stricter risk assessments and pricing models.

UNDERWRITING TRENDS & RISK MITIGATION

The rising frequency and severity of natural disasters will continue to increase underwriting scrutiny of fine art risks. Although 2024's losses did not harden the market, fine art insurers are paying much closer attention to structural resilience, location-specific risks, and even handling and storage protocols.

Fine art and collectibles insureds located in flood-prone areas that are not up to code or improperly elevated may face exclusions or sublimits for named storms or specific perils like wind or flood, and are more likely to see high deductibles or significant premium increases.

Carriers underwriting fine art and collectibles located in wildfire-prone zones will take a much more exacting eye to location-specific risks. Lloyd's reported expected losses of \$2.3 billion from the California wildfires in January, though fine art losses were fewer.¹⁰ Since wildfire risk cannot be reduced through exclusions or policy adjustments, expect insurers to proceed cautiously before taking on any significant risk in a wildfire-exposed region. And those in regions with CAT exposure who want full protection can expect to see that reflected in increased rates.¹¹

Underwriters are also more closely examining handling and storage protocols. Financial pressures have led some institutions to reduce their conservation budgets, security and staff, which can result in preventable claims. Museums with rigorous handling standards will secure the best rates and lowest deductibles, reinforcing the importance of risk management in pricing.

¹⁰ The Guardian, "[Lloyd's of London expects \\$2.3B in losses from California wildfires](#)," March 10, 2025.

¹¹ Center for Art Law, "[Rising Temperatures, Rising Premiums: Climate Change Litigation and Fine Art Insurance](#)," November 13, 2023.



EMERGING CHALLENGES AND OPPORTUNITIES IN THE MARKET

While generational preferences dictate trends in the fine art and collectibles market, one unusual evolution is the increasing commoditization of art collecting. Many modern collectors view art as an asset class rather than a passion, which is shifting consumer behavior as well as insurance priorities and needs.

The interest in collectibles remains strong. Worldwide art commerce received a pandemic boost, rising nearly 30% in 2021, with more than 40% of transactions occurring in the U.S.¹² Although the market cooled slightly in 2023, with global sales dipping 4%, activity remains above pre-pandemic levels.¹³ While contemporary art remains a hot market, seasoned collectors are diversifying into overlooked segments, such as 16th- to 19th-century drawings or mid-20th-century modern furniture.

On the upside, the growing democratization of art has made it accessible at all price points, presenting opportunities to engage new collectors early in their collecting journeys.

THE RISE OF SELF-INSURANCE AND THE NEED FOR COVERAGE

With soaring property insurance rates, some high-net-worth individuals are opting to self-insure their art and collectibles. However, even those outside high-risk zones face unexpected threats. Water damage from sprinklers or burst pipes, accidental breakage, or mishaps involving pets and household staff can lead to costly losses. Fine art and collectibles insurance is a relatively low-cost investment that provides peace of mind by covering accidental physical loss or damage. More than just financial reimbursement, specialized policies offer expert guidance on conservation, storage and restoration, ensuring that valuable pieces are properly protected and preserved.

¹²Risk & Insurance Magazine, "[Fine Art and Disaster: Know Your Insurance Needs as Catastrophe Threats Mount](#)," November 2, 2022.

¹³Forbes, "[Eight Trends in the 2024 Global Art Market](#)," May 16, 2024.

To help their clients obtain the best fine art and collectibles coverage, agents and brokers should:

- **Educate clients on risk management.** Help clients understand the importance of risk mitigation, such as fireproof storage, security measures and proper conservation practices. Brokers can add value by educating clients on changes that will enhance their insurability, such as regular brush clearance, water monitors, storm-resistant construction and proper storage protocols.
- **Leverage market trends.** Stay informed about emerging trends in art collecting to offer relevant coverage options that align with clients' purchasing behaviors. Policies can be tailored to meet their specific needs.
- **Address the risks of self-insurance.** Emphasize the potential pitfalls of self-insuring, including unexpected accidents and the benefits of having a carrier with conservation relationships to manage the claim and, when possible, restore the piece.
- **Proactively engage clients.** Reach out to clients with tailored recommendations based on their collections and risk profiles. Encourage them to review their policies annually to ensure optimal coverage.
- **Don't dismiss the importance of financial stability and experience.** A cheaper quote may be available, but can that insurer weather the storm? Since 1962, TMH has helped its clients navigate disasters. While others may struggle after a major event, TMH's long-standing industry presence and financial strength — backed by parent company Tokio Marine Kiln — ensures continued reliability and support for agents, brokers and their policyholders.



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