

# BEYOND RATE: COMPETING THROUGH PREVENTION



## Why Loss Prevention is a Strategic Imperative for Mutual Carriers in a Softening Market

by Geoff Martin - CEO, vipHomeLink, and Aon Reinsurance Solutions



### A well-designed prevention strategy can:

- **Drive engagement** through increased brand interactions
- **Create opportunities** to identify, attract and retain preferred risks
- **Reposition the brand** across the independent agent network
- **Strengthen innovation**, workflow automations, and technology
- **Generate valuable property insights** and behavioral data sets

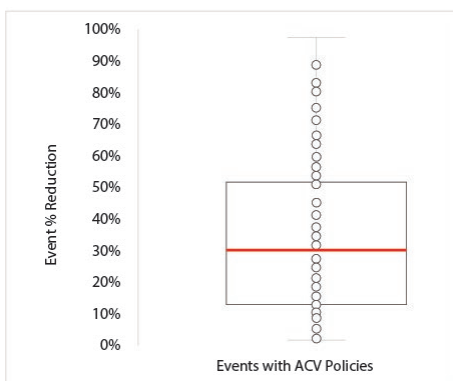
As the property insurance market begins to soften, mutual carriers face a familiar strategic challenge: How do you remain competitive without sacrificing underwriting profitability? After several years of significant rate increases and heightened underwriting discipline, market conditions are shifting. As competition increases and pricing becomes less of a differentiator, carriers need other levers to protect margins, attract and retain policyholders, improve risk selection and demonstrate value.

### A key lever for mutuals is a loss prevention strategy.

For mutuals, underlying risk trends remain challenging. Severe convective storms continue to be the largest driver of insured catastrophe losses in the United States, and weather-related losses remain elevated despite moderating results in some regions. As mutual insurers look for new avenues of growth, reducing exposure to preventable loss can be as important as pursuing rate adequacy.

In a softening market, advantages from prevention become powerful competitive multipliers. They transform insurance from a product customers think about once a year into an ongoing – and more trusted – relationship that delivers value throughout the policy lifecycle. Mutual partners are incorporating prevention strategies directly into their product offerings and view loss prevention as not only a claims-management strategy, but a competitive differentiator.

**Prevention is a growth strategy. A customer strategy. A product and data strategy. And, ultimately, a profitability strategy.**



Prevention is also becoming an underwriting strategy. Insurers that can identify, measure, and encourage risk mitigation often gain access to better risk data, stronger portfolio segmentation, and more-informed pricing decisions. As loss costs become increasingly concentrated in weather-sensitive perils, the ability to differentiate risk could become a meaningful competitive advantage. Aon analysis provides a practical example of how this can influence mutuals' underwriting results. Research on roof actual cash value endorsements found that policies incorporating roof ACV experienced approximately 30 percent lower SCS claim severity than comparable policies without those provisions. The findings highlight how risk-sharing mechanisms can improve portfolio performance while also helping maintain affordability for policyholders.

## Rethinking of the ROI of Prevention

Traditional return on investment analysis around prevention programs has often been too narrow. For a CEO or chief financial officer evaluating a prevention strategy, or even a single IoT device program, the relevant question should be: “What is the total economic value this prevention initiative can create across the enterprise?” A comprehensive framework incorporates these five sources of potential enterprise-level value:

1. **Loss ratio impact** — Reduce losses while generating new data and analytics that improve risk, underwriting, and pricing;
2. **Policyholder retention** — Increase valued engagements and customer retention in a market with fast-rising customer acquisition cost;
3. **Marketing and distribution** — Strengthen a carrier’s value proposition and brand and create opportunities for cross-sell, and upsell;
4. **Expense ratio and efficiencies** — Leverage digital engagements and automations to reduce, offset, or eliminate other costs;
5. **Financial strength and ratings impact** — Improve underlying business fundamentals and portfolio risk and drive innovation.

### 5 Key Attributes of Successful Prevention Programs:

- **Effective** - proven results
- **Simple** - easy install < 5 mins
- **Scalable** - path to adoption
- **Economical** - ROI+
- **Full Service** - fix any issues

This broader perspective changes the investment conversation. Prevention at scale becomes not simply a claims initiative, but an enterprise-level investment in the economics of the policyholder relationship. When insurance is viewed primarily as a financial product, the relationship between carrier and insured is transactional. Whereas, a prevention strategy creates an inherently different value proposition in which the carrier is not simply there to pay for the loss, it is actively engaging with customers, helping them identify risks, better maintain their homes, and protect their families to avoid potentially costly losses.

There is a final component of an ROI analysis that deserves much greater attention: What is the ROI of standing still? Insurance is an industry built around risk management. Yet, the risks and opportunity costs associated with corporate inertia, legacy processes, limited customer engagement, and a transactional insurance mindset are rising rapidly. Forward-thinking mutuals that emerge strongest from the next phase of this market cycle will be the ones that implement prevention strategies to better manage and assess risk, build more resilient portfolios, engage policyholders in trusting and meaningful ways, and create differentiated value for their insureds to drive future growth and profitability.

## EXECUTIVE TAKEAWAYS

### 01 – Prevention is more than claims reduction.

As if that weren’t enough. Its economic value extends across underwriting, retention, expense control, distribution and data.

### 02 – Soft markets change the equation.

When rate becomes less differentiating, prevention is a key competitive advantage.

### 03 – Doing nothing has a significant cost.

The strategic question mutuals should be asking is not “What will prevention cost?” but “What is the cost of standing still?”