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How the Industry Is Navigating a Volatile Auto Insurance Market *by Olivia Overman*

The personal auto insurance industry continued to experience challenges in 2024. With a sustained rise in claims frequency and severity, and inflationary loss costs caused by increasing repair costs and medical expenses, the personal auto insurance market has been driving on a bumpy road for several years.

"Challenges over the past few years have included economic and environmental trends, such as labor shortages and increasing repair costs, as well as increasingly severe accidents and escalating medical expenses," says Karen Eckert, senior vice president, personal insurance agent distribution, Travelers. "In addition, as vehicles become more technologically advanced, they become more costly to repair."

With more than 20% of vehicles involved in collisions now considered total write-offs, insurers are losing money, despite passing along price increases to their customers, according to J.D. Power. The impact of these challenges has been felt nationally by both carriers and consumers.

"Economic challenges, such as post-pandemic inflation, have strained both insurers and consumers, leading to depleted savings and increased credit usage," says Casey Kempton, president, property & casualty personal lines, Nationwide. "Rising insurance costs are causing some consumers to reduce their coverage or suspend their policies temporarily. Additionally, the industry is grappling with an increase in severe weather events. While this impacts property lines more directly, it strains carrier resources and pressures auto results."

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“The No. 1 thing that has impacted everybody over the last couple of years has been the impact of COVID-19,” says Michael Grove, senior vice president, head of U.S. retail markets auto product state management, Liberty Mutual Insurance. “The way it has impacted the industry with inflationary pressures has definitely been a big overarching negative.”

As a result of the ongoing challenges, AM Best gave the U.S. personal lines insurance segment a negative market outlook for most of 2024. However, in November, this outlook was changed to stable.

“Auto insurance represents roughly 35% of the total U.S. p&c market,” Kempton says. “AM Best’s negative outlook was influenced by concerns about insurers’ ability to stay ahead of auto trends, particularly the continued increases in auto severity driven by persistent inflation, supply-chain disruptions and higher fatality rates.”

However, the road has started to become a little less bumpy in the personal auto market as p&c insurers achieved a strong statutory underwriting profit year-over-year in the first quarter of 2024.

By mid-year, carrier results had continued to improve, leading to a slightly more positive outlook. Those improvements are expected to continue into 2025, according to a Fitch Ratings report. Importantly, the return to underwriting profitability may cause price increases to level off, the report said.

In their continued effort to navigate the evolving personal auto market, carriers have been looking to pursue gradual changes. “We’ve started to see some positive shifts in the personal auto market, like the adoption of telematics and usage-based insurance programs,” Eckert says. “These programs allow insurers to offer more personalized pricing options based on individual driving behavior, providing a more tailored and often cost-effective solution for consumers.”

Additionally, “vehicle technology can positively impact frequency,” Kempton says. “And losses from distracted driving may also improve as state laws enforce safe driving, more drivers adopt telematics and agents realize the profuse benefits of selling these products to their customers.”

Improving technology is a determining factor for many carriers as they look to employ a strategic response to this volatile market. “With the data available, we are able to identify that certain types of models are having less accidents, allowing us to make pricing more competitive,” Grove says. “The technology is changing so fast, but we think it’s an important trend in the industry.”

However, the growing complexity of vehicles, particularly with the increased adoption of electric vehicles (EVs), is resulting in more parts and labor hours per repair, according to CCC Intelligent Solutions’s “Crash Course Q3 2024 Report.” Further, the average repair cost for an EV is 46.9% higher than that of a non-EV, the report says.

Staying ahead of these trends is critical to the industry’s viability, with agents playing an indispensable role. As trusted advisers, independent agents continue to assist their clients in reducing premiums. “Agents are really pushing higher deductibles right now when it comes to physical damage and, in a lot of cases counseling their customers not to file small claims,” Grove says. “That’s definitely contributing to some of the drop in frequency.”

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Mike's Notes

Christmas Note

With the holiday season upon us, I've been reflecting on what Christmas, our customers, and my family truly mean to me. Christmas is a time of joy, gratitude, and togetherness, reminding us of the warmth and love that family brings into our lives. It's a season that encourages us to pause, appreciate the simple pleasures, and cherish the connections we hold dear.

In many ways, the relationships I have with all my clients mirror the bonds of family. As an insurance agent, my goal is to provide you with peace of mind and protection, much like the comfort and security that family offers. Your trust and loyalty are gifts I deeply appreciate, and I am committed to supporting you through all of life's changes and challenges.

Just as family gathers to celebrate and support one another during the holidays, I see my role as being there for you, offering guidance and assistance whenever needed. Whether it's adjusting your coverage to fit new circumstances or simply answering your questions, I am dedicated to ensuring that you feel confident and secure in your insurance choices.

During this festive season, I want to express my heartfelt gratitude for allowing me to be a part of your journey. Your support means the world to me, and I am honored to serve you and your family. As we embrace the spirit of Christmas, I hope you find joy and peace in the company of loved ones, and that the New Year brings you prosperity and happiness.

If there's anything you need or any questions you have, please don't hesitate to reach out. Wishing you and your family a wonderful holiday season filled with warmth and joy.

Home insurance market may be stabilizing, study finds

The home insurance market experienced significant shifts in 2024, showing early signs of stabilization after two years of steep premium hikes and coverage challenges, according to a recent report from Matic.

While premiums remain high, industry trends suggest a possible slowdown in growth, even as climate risks and regulatory challenges persist, according to the report. Here's a look at the key developments from 2024 and what they mean for homeowners, insurers, and the broader market in 2025.

The year began with record-breaking increases in home insurance premiums, with new policies seeing an average rise of 17.4%. By comparison, homeowners who had renewed their policies in 2024 after purchasing them in 2021 faced nearly 69% higher costs, amounting to an additional $865 annually. However, by mid-year, the rate of premium increases began to slow, with the average hike dropping from 10.7% in the first half to 6.6% in the second half.

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Looking ahead to 2025, premiums are expected to continue rising, albeit at a more controlled pace, as insurers benefit from easing inflationary pressures. However, the threat of severe weather events, especially in high-risk states, could still disrupt this trend.

Homeowners in 2024 faced significant difficulties securing coverage as insurers withdrew from high-risk regions or tightened underwriting standards. However, by mid-year, most major carriers returned to profitability, aided by regulatory approval for overdue rate adjustments and a slowdown in inflation-related repair costs.

By November, major national insurers such as Safeco, Travelers, and Nationwide had re-entered several restricted markets, increasing the availability of quotes per homeowner by 60% compared to the year's low point in March. The Excess and Surplus (E&S) market also stepped up to provide alternative coverage options in areas where traditional carriers remained scarce.

Despite this progress, challenges remain. Regulatory constraints in states like California and New Jersey could limit the ability of insurers to adjust rates, potentially affecting market stability in 2025.
Climate change continues to reshape the industry

Flood risks are also expanding beyond coastal areas. Events like Hurricane Helene's flooding of western North Carolina highlight the need for broader flood insurance education, even in regions historically considered low-risk. In 2025, the focus on flood insurance is expected to grow, with increased attention on the National Flood Insurance Program (NFIP) and private market alternatives.
Housing market, mortgage industry feel pressure

Despite the Federal Reserve's recent interest rate cuts, mortgage rates remained above 6% in November 2024, adding to affordability challenges for homeowners. The Mortgage Bankers Association predicts a 28% increase in mortgage originations for 2025, signaling increased housing activity, but rising insurance costs continue to strain household budgets.

Elevated premiums have also impacted mortgage qualification, with 63% of lenders reporting challenges securing affordable home insurance for borrowers. In response, Fannie Mae and Freddie Mac, which back most U.S. mortgages, temporarily eased enforcement of certain insurance requirements, underscoring the need for more robust systems to protect both homeowners and lenders.

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Meet Our Representative

Maura Guevara-Mendez

Name: Maura Guevara-Mendez
Title: Renewal Specialist
Email maura@getagreatquote.com
How long have you worked at ABM: will be 6 years on November 1st, 2024
What do you do at ABM: I handle personal lines renewals and also assist with customer service
What do you love about your job: being able to help people and give them clarity when in doubt, saving them money and educating them when it comes to their coverages
Fun Fact about yourself: I own over a 100 pair of shoes, I have a pit-bull who I named MANGO and I am from El Salvador

ABM Referral Program

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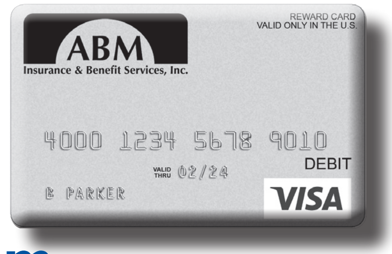

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Be sure to ask about our bonus referral program which rewards our clients who send us business with $25 Visa Gift card to use at your favorite store or restaurant.

Medicare Prescription Payment Plan FAQs

CMS developed a set of frequently asked questions (FAQs) to help Part D sponsors and other interested parties prepare for the implementation of the Medicare Prescription Payment Plan on January 1, 2025. Beginning in CY 2025, Part D sponsors are required to provide all Part D enrollees with the option to pay their out-of-pocket (OOP) prescription drug costs in monthly amounts over the course of the plan year instead of paying OOP costs at the point of sale (POS).

In these FAQs, we provide clarifications on the final part one guidance for the Medicare Prescription Payment Plan, issued February 29, 2024, and the final part two guidance for the Medicare Prescription Payment Plan, issued July 16, 2024.

1. Can a Part D enrollee participating in the Medicare Prescription Payment Plan still receive charitable assistance to support their out-of-pocket costs for covered Part D drugs?
Yes. CMS guidance does not prohibit charitable assistance programs, such as qualified State Pharmaceutical Assistance Programs (SPAPs), AIDS Drug Assistance Programs (ADAPs) and bona fide charities, from reimbursing Medicare beneficiaries directly for out-of-pocket costs for covered Part D drugs or making payments to Part D sponsors on behalf of enrollees participating in the Medicare Prescription Payment Plan. The Medicare Prescription Payment Plan does not interfere with any existing arrangements or practices between these organizations, Part D sponsors, and enrollees.

As stated in section 50.1 of the final part one guidance, the transaction processed through the Medicare Prescription Payment Plan Bank Identification Number (BIN) and Processor Control Number (PCN) should be submitted last, in order to capture the final patient responsibility amount after all other payers have paid, so that the Part D sponsor can pay the pharmacy for the amount the participant would otherwise owe at the POS to obtain their prescription. If the program participant receives charitable assistance for their covered Part D drugs or has supplemental coverage, that coverage should be processed prior to submitting the final transaction to the program-specific BIN/PCN. The requirements outlined in section 50.1 of the final part one guidance will allow Part D sponsors to continue to process claims in the established payer order discussed in the Medicare Prescription Drug Benefit Manual Chapter 14, Section 30.3. As a reminder, the Medicare Prescription Payment Plan BIN/PCN transaction is not considered to be other health insurance (OHI) or a separate payer; this process does not change any existing rules for determining payer order when an enrollee has other coverage in addition to Part D.

ABM Bad Joke Of The Month...

What did Sushi A say to Sushi B?
Wasabi

2. If a Part D enrollee participating in the Medicare Prescription Payment Plan makes a mid-year plan switch between plan benefit packages (PBPs) offered by the same Part D sponsor, can the Part D sponsor keep the enrollee's Medicare Prescription Payment Plan election active under the new PBP?
No. Election into the Medicare Prescription Payment Plan takes place at the PBP level. As discussed in section 70.4 of the final part one guidance, when a Part D enrollee disenrolls from a Part D plan, such as when switching plans during the coverage year or for a subsequent coverage year, their participation in the Medicare Prescription Payment Plan, as administered by the Part D sponsor losing the enrollee, effectively ends. Consistent with Part D plan enrollment processes, this is the case even when the first plan and second plan are administered by the same Part D sponsor. CMS clarifies that the Part D sponsor of the new plan may not automatically sign up the individual for the Medicare Prescription Payment Plan under the individual's new plan. The Part D enrollee may choose to elect into the program with their new Part D plan.

3. Under what circumstances may a Part D sponsor deny a request to participate in the Medicare Prescription Payment Plan? Will CMS release a model notice of denial?
As discussed in section 70.3 of the final part one guidance, if an individual's request to participate in the Medicare Prescription Payment Plan is denied, the Part D sponsor must notify the individual and explain the reason for denial. CMS is not providing a model notice of denial for CY 2025 but will monitor the need for additional model materials in future years.

CMS notes that in CY 2025, an individual's Medicare Prescription Payment Plan election request may be denied if they are not a member of the Part D plan, if they fail to submit the information requested within the timeframe listed on the request, or if they switch to a new plan offered by the same Part D sponsor and have a past due balance with their prior 3 plan. However, the Part D sponsor must not deny a Medicare Prescription Payment Plan election request due to delays in the Part D plan enrollment process that are the fault of the Part D sponsor or CMS. If system issues or delays in the Part D plan enrollment process result in the Part D sponsor not receiving confirmation of Part D plan enrollment within ten calendar days of receiving the election request, the Part D sponsor may wait to receive confirmation of Part D plan enrollment from CMS before notifying the individual of their program election request status. CMS also reminds Part D sponsors that they may not require a Part D enrollee to answer questions about or provide documentation demonstrating their ability to pay their Medicare Prescription Payment Plan balance as a condition of accepting an election into the Medicare Prescription Payment Plan.

4. When can a Part D enrollee elect to participate in the Medicare Prescription Payment Plan prior to the plan year?
Part D sponsors must allow Part D enrollees to opt into the Medicare Prescription Payment Plan prior to the beginning of the plan year or in advance of a new plan enrollment effective date during a plan year. This includes any time between the beginning of the Part D Annual Election Period and the beginning of the plan year, and any time between the beginning of an initial Part D enrollment period or special election period and the plan enrollment effective date. For example, a Part D enrollee may opt into the Medicare Prescription Payment Plan for CY 2025 during the Annual Election Period beginning on October 15, 2024, and may also opt into the Medicare Prescription Payment Plan during the period between the Annual Election Period and the beginning of the plan year.

When a Part D sponsor receives a program election request for the next, upcoming plan year (or in advance of a new plan enrollment effective date during a plan year) through either an election request form or through other means (as outlined in section 70.3.1 of the final part one guidance), the Part D sponsor must process the request within 10 calendar days of receipt, or the number of calendar days before the plan enrollment starts, whichever is shorter.

5. How should Part D sponsors refer to the Medicare Prescription Payment Plan in their outreach and educational materials?
After multiple rounds of consumer testing and evaluation of the results, CMS announced in the draft part one guidance that the shorthand name for the Maximum Monthly Cap on Cost-Sharing Payments Program established by the Inflation Reduction Act (IRA) (P.L. 117-169) is the "Medicare Prescription Payment Plan." As stated in the final part one guidance, the name "Medicare Prescription Payment Plan" should be used in any guidance and communications by Part D sponsors related to this program. CMS is not using "M3P," "MPPP," or any other acronym as approved terms for the program and encourages Part D sponsors to use the CMS-developed fact sheet as the basis of their materials for the 2025 plan year.

6. Are Part D sponsors required to deliver the notice of acceptance of election telephonically and via written notice for web-based election requests that are approved and effectuated in real time?
As stated in section 30.3.2 of the final part two guidance, for election requests received during the plan year through any mechanism (paper, telephone, or electronic), the Part D sponsor must deliver the notice of acceptance of election within the specified timeframe first telephonically and then via written notice.

The final part two guidance also clarifies that if a Part D sponsor is processing an election request over the phone and is able to confirm the election request is approved and the Part D enrollee's participation is active immediately, the same, single phone call can serve to meet the acceptance of election telephone notification requirement.

The same flexibility applies for electronic election requests made using the Part D sponsor's website. If the electronic election request is approved and effectuated in real time and the Part D sponsor is able to provide an immediate digital confirmation of program participation, the Part D sponsor is not required to also deliver the notice of acceptance of election via phone call. The Part D sponsor must still send the written notice within three calendar days.

Please feel free to contact one of our Medicare experts, should you have any questions on your plan at 1-800-362-2809 or visit www.getagreatquote.com

Maria Fernandez | Karen Prado | Zach Hadley | Brandi Vincent | Marissa Mendez | Stevan Delossantos | Adriana Moreno | Esmeralda Aguilar

Frank Silva | Janelle Castillo | Lily Moreno | Jessica Carlson | Ghie (Stephanie) Villegas | Belén Bauer | Taylor Thorton | Mark Evans

Maura Guevara | Debora Taylor | Phil Humber | Zai Meza | Emma Briseño | Andrea Camacho | Monica Lara | Geraldine Juarez

Mike Alexander Jr. | Crystal Calaway | Michelle Vincent | Misty Alanis | Kimberly Elliott | Mike Alexander Sr.

Wishing you a Merry Christmas
& All the Best in the
New Year

ABM
Insurance & Benefit Services, Inc.
14950 Heathrow Pkwy. Suite #500
Houston, TX 77032
www.getagreatquote.com

Testimonial

Crystal Calaway is the best! She replied quickly to my initial email, explained everything perfectly over the phone, and helped me get set up with Community Health Choice. I highly recommend working with Crystal and ABM Insurance.

- Claire H.