



# Surviving a Hard Property & Casualty Insurance Market

## The property and casualty insurance industry is cyclical in nature.

When carrier underwriting profits and investment income are positive, clients can expect rate stability and reductions, along with insurance coverage being readily available. This is often referred to as a “soft” insurance market. When insurance carrier profits diminish, we generally see rates rise and it can be challenging to secure coverage. This is called a “hard” insurance market.

Insurer profitability was in the red at the end of 2019 on most lines of insurance coverage, including commercial multi-peril liability and non-liability lines of business, automobile liability and medical malpractice, based on published data by S&P Global.

As of June 2020, we are very much in the midst of a “hard” property & casualty insurance market. Rates are on the rise, there is less competition amongst insurers, and underwriting standards have become tougher.

Per the Council of Insurance Agents & Brokers’ *Commercial Property/Casualty Market Report Q1 2020*, premiums increased by an average of 9.3% across all sized accounts. All major lines, except for Workers’ Compensation, experienced moderate-to-significant increases in Q1 2020. Commercial Property and Umbrella premiums increased the most in Q1 2020, at 12.0% and 17.3% respectively.

## What is a business or organization to do when staring at a hard insurance market?

### What to Expect:

- **Rate increases:** We have already mentioned this above. Rate increases are a trademark of a hard market. Double digit rate increases are not uncommon.
- **Non-renewal of policies:** Insurers will re-underwrite and stop writing some classes of business and coverage.
- **Less capacity:** Inability to purchase higher umbrella and excess limits; use of corridor deductibles which require a business to pay for an additional portion of a loss at certain levels.
- **Selective underwriting:** Underwriters will request more data, extensive detail on prior large claims, supplemental applications, and specifics about a business’s approach to risk control.
- **Restricted coverage:** Increase in coverage exclusions along with higher retentions and deductibles.

## Survival Tactics

- Start your renewal process early. Work with your agent or broker on a pre-renewal strategy.
- Provide all renewal information as early as possible to give the underwriter ample time to review the data and allow for extended negotiations with your agent or broker. Be prepared to provide more information than in the past. Be open to getting on a conference call with your agent to tell your story to the underwriter and possibly mitigate rate increases.
- Be open to committing to an early renewal with your incumbent carrier. Underwriters are sometimes willing to make pricing and coverage concessions in exchange for an early renewal commitment.
- Be open to new program structures and new carriers. Your current program structure may not be available at renewal and your incumbent carrier may no longer be willing to provide competitive coverage.
- A premium is placed on an insured's approach to managing risk. Please share all information related to risk control and safety management.
- Shrinking capacity is a challenge in a hard market. Be prepared to face challenges in securing certain coverages and excess limits. Consider alternative options.
- If you have resisted providing financial data in the past, reconsider that position. Underwriters look more favorably on businesses that provide the data, especially if your financial position is strong.
- If you and your agent or broker decide that the best course of action is to market your account, be prepared for more declinations as fewer carriers will be open to considering your business. A carrier that wrote your business in the past, may not have the ability to offer coverage going forward. It is not personal; it is simply the market.

It is difficult to predict how long this hard market will last. Prior hard markets have lasted an average of three years. As more capital enters the marketplace, bringing more competition, rates will ultimately move downward. In the meantime, it is important to remain vigilant in managing risk and your insurance program. Actively communicating with your agent or broker is imperative. At Alera Group, we are proactively working with our clients to help them through the challenging market conditions. We will partner with you to identify your exposures and create a tailored solution that minimizes the potential negative financial impact to your organization.