



COMMERCIAL INSURANCE

EMPLOYEE BENEFITS

PERSONAL INSURANCE

RISK MANAGEMENT

SURETY

GENERAL

Markets in Focus



Insurance Pricing & Market Update

Q4 2023

INTRODUCTION

The global business landscape has undergone significant transformations in the wake of the COVID-19 pandemic. Supply chain disruptions, a direct consequence of the pandemic, have fueled a rapid two-year surge in U.S. inflation. This surge, in turn, has elevated input costs for goods production and heightened public expectations of future price increases.

Within the auto industry, persistent challenges stem from uncertain weather events and evolving mandates related to electric vehicles (EVs), creating ongoing hurdles for the sector.¹

Concurrently, international conflicts and threats have intensified in various regions, posing sustained concerns. China, grappling with an economic slowdown, faces challenges marked by weakened activity and stress in specific markets, potentially impacting the global economy.² Projections suggest that China's GDP may only surpass that of the U.S. around mid-2040.³

With business increasingly turning to AI, cyber risks are heightening.

The U.S. Infrastructure Bill has introduced an element of uncertainty regarding its passage and potential implications for government funding. Simultaneously, the U.S. grapples with a labor shortage, posing a significant challenge for companies aiming for growth as talent shortages persist.

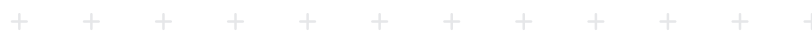
Businesses are increasingly turning to artificial intelligence (AI) to enhance operational efficiency and establish effective policies. However, the rise of AI, technology, and digital advancements also brings about heightened cyber risks, necessitating robust cybersecurity measures.

In this complex and multifaceted business landscape, a thorough analysis and adaptive strategies are essential to navigate challenges and capitalize on emerging opportunities.



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MARKET OUTLOOK

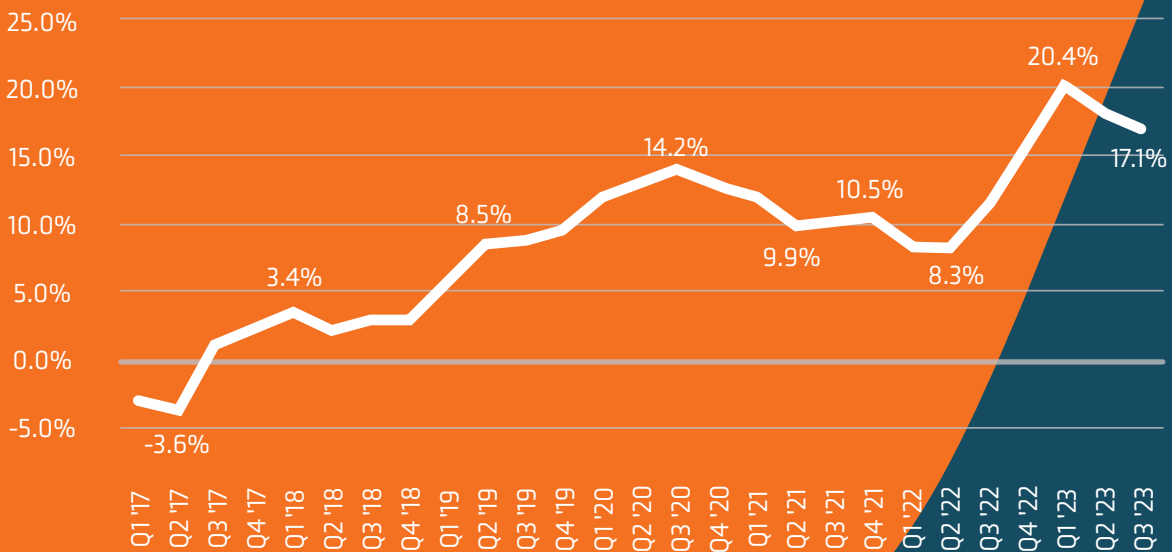
PROPERTY

- + Rising property values, cost of materials, and lead times are major marketplace components. Natural catastrophe losses, specifically convective storms, continue to impact values and are a crucial contributor to difficulties in coverage lines.
- + Policy non-renewals in property are increasing submissions for carriers.
- + A key driver of the rising rates and limited capacity is the result of insurer capacity, loss scenarios, and appetite.⁴
- + Commercial property lines remain the highest average premium increases at 17.1%.⁵

Convective storms continue to impact values and are a crucial contributor to difficulties in coverage lines.



PREMIUM CHANGE FOR COMMERCIAL PROPERTY
Q1 2017-Q3 2023



Source: CIAB Commercial Property/Casualty Market Index Q3 2023

GENERAL PRICING ESTIMATES

Non-CAT exposed property with favorable loss history

17% to 30% increases

CAT exposed property with favorable loss history

30% to 50% increases

Property with unfavorable loss history and a lack of demonstrated commitment to risk improvement

15%+ increases for non-CAT

20% to 60% increases for CAT-exposed accounts and higher depending on frequency/severity of losses



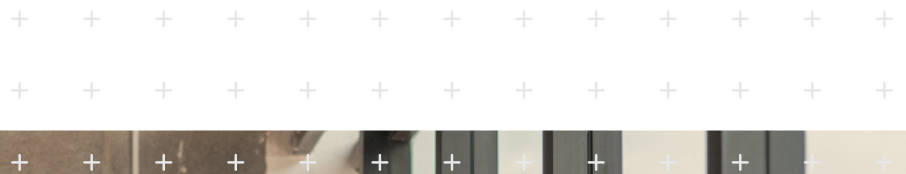
CASUALTY

General Liability

- + There have been subtle increases in pricing for the casualty market to support pricing correction. Increases in claims are a key component. Rates have remained stable for risks that have had minimal losses.
- + Insurers seek more information on past losses and the steps taken to protect against recurring similar losses.
- + Depending on an organization's risk profile and loss history, commercial general liability markets will likely experience increased premiums and stricter terms and conditions.

GENERAL PRICING ESTIMATES

General Liability	Up 4% to 20%
Umbrella & Excess Liability – Middle Market	Up 7% to 20%+
Umbrella & Excess Liability – Risk Management and other Complex/ Hazardous Exposures	Up 25% to 150%





Excess Liability

- + Litigation continues to increase nationwide, and nuclear verdicts are impacting coverage availability.
- + Coverage lines at \$5M and \$10M are where coverage is most competitive.
- + The reinsurance market is showing reduced interest and support, which increases challenges.
- + Due to large jury verdicts, social inflation continues to impact carriers' willingness to offer increased coverage.



Workers' Compensation

- + Workers' compensation coverage across the majority of regions decreased or remained unchanged. Few regions are seeing slight increases in premiums. The small increases may be due to substantial wage and job growth in the U.S. labor market.⁶
- + Industries such as construction, manufacturing, and small businesses are poised to feel the most substantial impact during an economic slowdown or recession.

Auto

- + Commercial auto insurance placement continues to increase in complexity and availability.
- + Theft of vehicles, comprehensive claims, and crashes occurred more frequently and with greater severity.⁷

GENERAL PRICING ESTIMATES

Workers' Compensation	Flat to 9%
Auto	Up 8% to 30%
	Up 30%+ if large fleet and/or poor loss history

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Construction, manufacturing, and small businesses are poised to feel the most substantial impact during an economic slowdown or recession.

EXECUTIVE RISK

Directors & Officers

- + D&O market has softened based on less demand than in 2021 or 2022 caused by premium decreases, which on average was -0.3%.⁵
- + Managing D&O risk requires prioritized efforts towards governance by leaders. The focus on “corporate conscience” is top of mind.
- + The impetus of environmental, social, and governance (ESG), volatile geopolitical landscapes, litigation, and nuclear verdicts will be key factors in coverage availability.

Cyber

- + In Q3 2023, the average cyber premium increased by 1.6%.⁵
- + Meanwhile, the market has returned to a more rational pricing approach balanced with an increase in overall loss activity, which will continue to validate the need for this emerging coverage.
- + According to Corvus Insurance Q3 Report, 2023 Ransomware attacks are up more than 95% over 2022. The number of ransomware victims in 2023 has already surpassed what was observed for 2021 and 2022.
- + Underwriters have continued fine-tuning their questions regarding cyber practices and detailed applications for clients to complete.
- + SEC's final cybersecurity and disclosure rules went into effect in September. These rules focused on required disclosure in the event of a cyber incident, which could increase scrutiny for underwriting for public company D&O coverage.

GENERAL PRICING ESTIMATES

| | |
|-------|-------------|
| Cyber | Flat to 15% |
|-------|-------------|



MAJOR CLAIMS IN THE SECTOR



\$247 MILLION VERDICT

The parents of the deceased sued a trucking company and the vehicle operators for negligent operation of a vehicle and inadequate driver training after a van struck a tractor-trailer. As it backed into a driveway, the tractor-trailer blocked the road, causing the fatal collision. The jury found that the tractor-trailer driver was acting within the scope of his employment and was responsible for 65% of the incident, with the trucking company and company owner bearing 20% and 10% of the responsibility, respectively. Consequently, the \$260M verdict was lowered to \$247M.⁸



\$82 MILLION VERDICT

The plaintiffs, who had previously gone to or worked at a school where the light fixtures contained Polychlorinated Biphenyls (PCBs), were granted an \$82M award by the jury after filing a lawsuit against the school claiming that their exposure to the PCBs had caused them harm.⁹





GUIDANCE



BEGIN THE RENEWAL PROCESS EARLY

Partner with your broker early to prepare for any changes to increase greater renewal success.



PARTNER WITH INDUSTRY EXPERTS

It is important to work with your broker's industry experts who understand the business and the market for placing the specific risk. Collaborating with a team that can best represent your risk and partner with your operations is more critical than ever in this disciplined market we are experiencing.



HIGHLIGHT CYBER SECURITY & PROACTIVE RISK MANAGEMENT

IMA has a team solely dedicated to managing cyber risks. They offer expert assistance, including coverage analysis, financial loss exposure benchmarking, contract language review, in-depth cyber threat analysis, and strategic development of comprehensive, high-value cyber insurance programs.



CONTRACT REVIEW

Our contract review teams add value to our clients' overall risk management program by ensuring the indemnity language is market standard and doesn't expose our clients to unforeseen losses that may not be insurable.

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