



COMMERCIAL INSURANCE

EMPLOYEE BENEFITS

PERSONAL INSURANCE

RISK MANAGEMENT

SURETY

REAL ESTATE

Markets in Focus

General Insurance Pricing & Market Update

Q1 2024

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INTRODUCTION

The real estate industry has experienced turbulent swings in recent years. Market dynamics, including fluctuations in property values, poor economic conditions, and rising interest rates, have negatively impacted real estate clients. With economic downturns, there can be decreases in the need for additional commercial spaces such as retail centers, office buildings, and warehouses, but rarely habitational exposures. The real estate sector continues to grow in acquisitions and third-party management.



From ownership and third-party management to research, consulting, valuation, and asset management, the real estate industry encompasses a range of specialized activities. Revenue growth is expected as many habitational projects and commercial projects are completed and online. The housing shortage continues to be a driver. Improved economic conditions will help drive industry growth due to an increased demand for retail and multifamily habitational space. The industry needs to stay vigilant, considering high-interest rates that continue to influence commercial building demand, increases in construction labor costs, and a more complex insurance market.



MARKET OVERVIEW

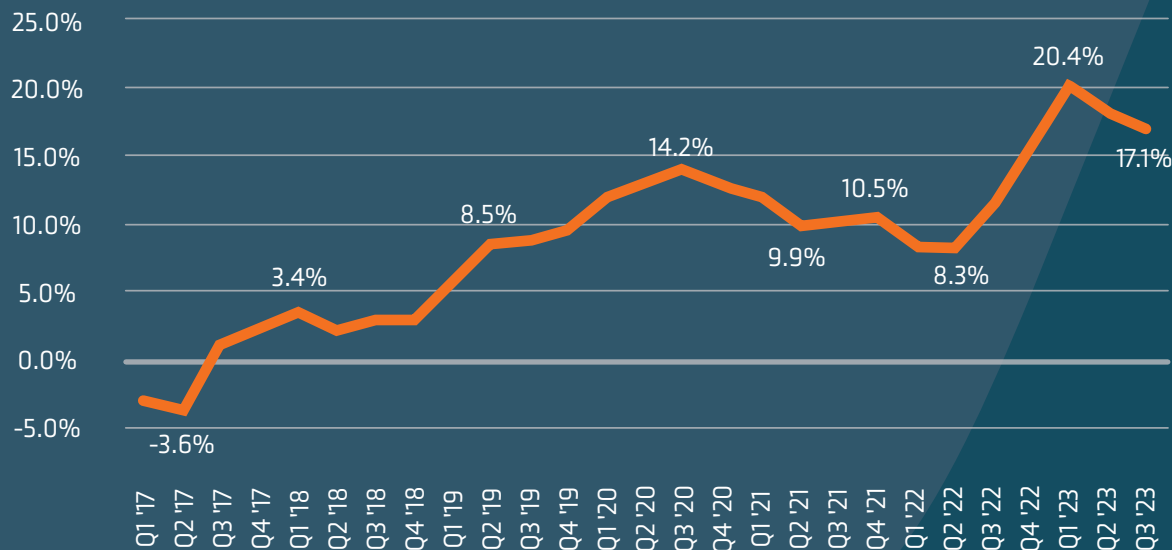
PROPERTY

- + The greater need for facultative reinsurance has slowed the quoting process.
- + A leading carrier in property writing and purchaser of reinsurance has led the way for valuations over the last three years, prompting others in the market to follow.
- + Losses in catastrophe-prone areas continue to outpace reinsurance.¹
- + Reinsurance treaties renewed in 2023 have seen greater retentions and single-digit rate increases.
- + Greater capacity and reinsurers are looking to grow in the space. This will allow the primary writers to grow.
- + Insurance-linked securities (ILS) – CAT bonds have set a record for the highest influx of capital any year at \$15.4 billion. The record places the overall ILS market in 2023 at \$42 billion.

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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 a favorable loss history	17% to 30% increases
CAT exposed property with favorable loss history	30% to 50% increases

CASUALTY

General Liability

- + General liability in the habitational space continues to be challenging, with 15%-30% rate increases for clean accounts and terms and conditions trailing slowly behind.
- Aggregate limits are being managed by carriers by a reduction of half the annual aggregate. Unaggregated GL policies are rare to non-existent.
- + Insurers are also facing higher reinsurance costs and low investment returns, which are putting pressure on rates and causing an increase.
- + Depending on an organization's risk profile and loss history, commercial general liability markets will likely experience increased premiums and stricter terms and conditions.

Excess Liability

- + Excess liability continues to be challenging as carriers follow the same approach as general liability, especially for high-difficulty and severity-prone risks.
- + Despite generally favorable conditions, many insureds are experiencing upward pricing trends due to inflation and heightened exposure in a growing economy. The challenging market conditions persist as carriers maintain restrictions on capacity and terms and substantial rate increases amid exposure expansion.²

GENERAL PRICING ESTIMATES

General Liability	Up 15% - 30%
Umbrella & Excess Liability – Middle Market	Up 15% - 30%



Workers' Compensation

- + Workers' compensation coverage remains stable or unchanged in regions depending on job growth.
- + Workplace mental health data is growing. Stress and anxiety are now considered to be a top workplace injury, according to a study conducted by a Los Angeles-based law firm.³

Auto

- + The commercial auto industry has been struggling in hired and non-owned auto, with payouts from settlements and claims far outweighing profits.

GENERAL PRICING ESTIMATES

Workers' Compensation	Flat to 5%
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Cyber

- + According to Corvus Insurance Q3 Report, 2023 Ransomware attacks are up more than 95% over 2022 and are predicted to remain consistent or increase through 2024.⁴
- + Organizations with strong security measures can anticipate positive ratings for cyber insurance renewals and look to negotiate coverage enhancements that were challenging to obtain in recent years.
- + Additional capacity entered the market and underwriting standards have stabilized since the spike in claims from 2020 and 2021.

GENERAL PRICING ESTIMATES

Cyber	Flat to 15%
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MAJOR CLAIMS IN THE SECTOR



DISCRIMINATION

\$137M Verdict: A plaintiff suffered racial harassment at the workplace from a coworker and supervisor during their two-year employment; he sued. Jury awarded \$136.9 million.⁵



HABITABILITY

\$6M Verdict: A family moving into an older apartment discovered their child developed neurological issues due to lead paint, presumed due to the property's age. The property also had a severe cockroach infestation. Plaintiffs, claiming non-disclosure of hazards and habitability issues, received a settlement of \$6 million after disputing allegations of improper supervision and lack of hygiene.⁵





GUIDANCE



BEGIN THE RENEWAL PROCESS EARLY

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



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.



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.



CONTRACT REVIEW

Our contract review team adds 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.

Sources:

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- 3 Campisi, J. (2024, January 4). Mental health decline poses workplace hazard: experts. Business Insurance. <https://www.businessinsurance.com/article/20240103/NEWS08/912361885/Mental-health-decline-poses-workplace-hazard-Experts>
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- 5 Tyson & Mendes. (n.d). Nuclear Verdicts. Tyson Mendes. <https://www.tysonmendes.com/cases/>



MORE THAN JUST INSURANCE

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This material is for general information only and should not be considered as a substitute for legal, medical, tax and/or actuarial advice. Contact the appropriate professional counsel for such matters. These materials are not exhaustive and are subject to possible changes in applicable laws, rules, and regulations and their interpretations.

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