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Markets in Focus



Insurance Pricing & Market Update

Q1 2024

INTRODUCTION

RESTAURANTS AND DRINKING PLACES

In the dynamic restaurant industry landscape, evolving consumer preferences and technological advancements continue to shift the space. Today, while consumers are actively seeking healthier, globally inspired meals crafted from high-quality ingredients, the industry is witnessing a surge in off-premises dining and a rapid embrace of digitalization to meet the diverse needs of customers, driving more delivery and drive-thru business than ever before. With this continued shift, premises liability is predicted to continue being a lower risk frequency while there is still a rise in nuclear verdict severity that can be a challenge for catastrophe claims such as liquor liability and general slip/fall exposures.



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HOTELS AND CASINOS

The continued return of hotel occupancy paints a compelling picture of resilience. With an impressive 29.2% year-over-year growth in December, San Diego spearheads this resurgence, closely followed by San Francisco at 21.5%.¹ This positive momentum is echoed across the entire U.S., with an increase just under 5% in ADR growth from December 2022.² In the past two years, the hotel industry's primary challenge has shifted from attracting customers to finding and retaining staff. In response, hotels have worked to enhance pay and benefits for workers but still lack adequate staffing, leading to challenges in training for new hires and delivery of a consistent guest experience, all of which can translate to higher risks in liability, workers' compensation, and even property losses due to inadequate training on what to do in the event of a fire or water damage event.

San Diego leads this resurgence with an impressive 29.2% year-over-year growth.



MARKET OVERVIEW

PROPERTY

- + Losses in catastrophe-prone areas continued in 2023, equaling nearly \$100 billion in claims.
- + Carriers are still pushing proper building valuations and, in many cases, pushing coinsurance or margin clauses that penalize policy holders for underinsurance.
- + Significant rate and deductible increases occurred in 2023 but may also be peaking.
- + Builders' risk coverage remains a challenge for much of the frame hotel risks depending on the project, location, and scale.

GENERAL PRICING ESTIMATES

Non-CAT exposed property with a favorable loss history

Flat to 10% increases

CAT exposed property with favorable loss history

10% to 20%

CASUALTY

General Liability

- + Insurers continue to see negative loss development trends, which pressure their profitability and capacity to write new business and require them to increase rates going forward.
- + Premises liability may be limited due to lower restaurant traffic, but severity continues to rise, with nuclear verdicts reaching closer to \$25 million in today's jury trials.

Excess Liability

- + Claims continue to increase in frequency and cost, intensified by social inflation.
- + The excess liability market remains somewhat challenging as a limited number of carriers offer capacity. Still, this line of insurance also seems to be peaking on year-over-year rate change compared to the past two years of dramatic increases.

GENERAL PRICING ESTIMATES

General Liability with favorable loss history	Flat to 10%
Umbrella & Excess Liability	5% to 15%



Workers' Compensation

- + Workers' compensation coverage remains one of the industry's bright spots, with favorable continued loss trends and a very competitive market. Many carriers are leveraging workers' compensation to hold onto other lines of coverage or use it as a competitive component for their overall offerings.

Auto

- + Distracted driving and the repair costs continue to drive a never-ending unfavorable loss trend.
- + Theft of vehicles, comprehensive claims, and crashes occurred more frequently and with greater severity in 2023.³
- + Auto insurance rates drive umbrella costs if larger schedules exist, including passenger van fleets.
- + Hired/non-owned exposures get more scrutiny today due to losses.
- + EV challenges are emerging, with many carriers unwilling to offer coverage for this risk.

GENERAL PRICING ESTIMATES

Workers' Compensation

-5% to Flat

Auto

10% to 20%+

Larger schedules can impact rating/cost

Cyber

- + According to Corvus Insurance Q3 Report, 2023 Ransomware attacks are up more than 95% over 2022.
- + The average cost of a data breach within the hospitality sector has increased by 14% in 2023.⁴
- + Notable 2023 Cyber Attacks
 - September 2023 - MGM Resorts experienced a ransomware attack that resulted in a loss of over \$100,000,000 due to operational downtime.⁵
 - January 2023 - Yum! Brands experienced a ransomware attack that closed approximately 300 restaurants. In April 2023, they faced a class action lawsuit from employees.⁶
- + Underwriters continue to analyze and rate according to individual security standards for the entity seeking coverage. However, high-profile losses have increased scrutiny of security controls and rates.

GENERAL PRICING ESTIMATES

Cyber

-10% to up 10% depending on controls

Employment Practices Liability

- + Changes in wage and hour regulations across states may necessitate adjustments to salary thresholds for exempt employees, posing potential penalties for noncompliance and adverse legal rulings.⁷

GENERAL PRICING ESTIMATES

Employment Practices Liability

-5% to Flat



MAJOR CLAIMS IN THE SECTOR

EMPLOYMENT & LABOR



\$20 MILLION VERDICT

A hotel staff member suffered a spinal injury necessitating the use of a cane and prosthetic. The staff member was still able to work while seated. He sought accommodations, such as closer parking (for which he was charged) and a different break room (he was provided access to a storage room). After renovations worsened his working environment, he suggested modifications that were not made. The hotel staff member's doctor recommended he stop working there. Jurors awarded \$20 million on September 21, 2023.⁸



\$25.1 MILLION VERDICT

A Texan plaintiff, who progressed from a server to a food and beverage director at different hotel branches, filed a lawsuit, alleging gender-based pay disparities with male counterparts in similar roles. Jurors awarded \$25.1 million on March 16, 2023.⁸

GUIDANCE



BEGIN THE RENEWAL PROCESS EARLY

Partner with your broker early to prepare for any changes to increase greater renewal success. Understand the operational strides you can take to improve training and safety to make your risk more competitive.



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 organization 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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MORE THAN JUST INSURANCE

Based in North America, Parker, Smith & Feek is an integrated financial services company focused on protecting the assets of its widely varied client base through insurance, risk management and wealth management solutions. As an employee-owned company, Our 2,300-plus associates are empowered to provide customized solutions for their clients' unique needs.



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NPN 1316541 | IMA, Inc dba IMA Insurance Services
California Lic #0H64724

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CT-MIF-PSF-H-022024

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