

# GENERAL

Insurance Pricing &  
Market Update



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# INTRODUCTION

In 2023, the U.S. experienced an unprecedented number of costly disasters, with 28 weather events causing \$92.9 billion in damages.<sup>1</sup> The National Oceanic and Atmospheric Administration predicts the 2024 Atlantic hurricane season will be highly active, with an estimated 17 to 25 named storms.<sup>2</sup> The intersection of climate change, urbanization, and socioeconomic factors is driving up the financial toll of natural disasters, underscoring the need for robust risk management and sustainable development.<sup>1</sup> As a result, premiums and policy availability may become limited in certain regions. Elevated premiums and increased demand from businesses and consumers post-pandemic have enabled insurance brokers to expand their profit margins. The hardening price cycle and improved financial market conditions have bolstered both revenue and profit growth, with insurers raising premiums over the last five years to rebuild surpluses and enhance profitability.<sup>3</sup> Although the property and casualty insurance sector saw strong premium growth in 2023, profitability remains under pressure due to rising business costs and aggressive litigation, necessitating strategic adjustments to maintain coverage for high-risk areas. Navigating these challenges will require innovative solutions and proactive measures to ensure stability and resilience in the insurance market.

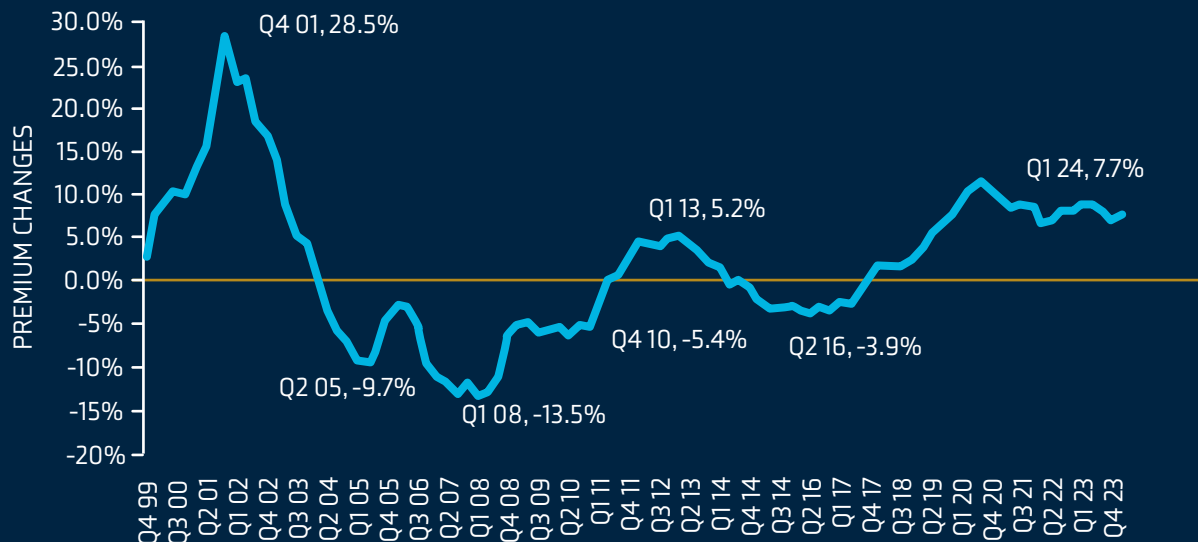


# MARKET OUTLOOK

## PROPERTY

- + Commercial property had the highest increase at 10.1%, where premiums increased an average of 7.7.% in Q1 2024 across all commercial coverage lines.<sup>4</sup>
- + While the insurance market has achieved a level of stability, specific areas, classes, regions, and historically challenging accounts still face pressure. The market remains vulnerable to potential disruption from external shocks or unforeseen events.
- + Property rates continue to demonstrate robust performance and resilience in the central regions of the country.
- + The manner in which properties are managed will significantly influence carriers' decisions regarding their willingness to underwrite and their overall risk appetite.
- + Insurance carriers will persist in ensuring property values align with replacement costs.
- + Property values are expected to rise by 4% or more to keep pace with inflationary pressures on labor and materials.
- + The frequency of double-digit value increases should decline in 2024.

## COMMERCIAL P/C PREMIUMS INCREASE 7.7% IN Q1 2024, ACCORDING TO CIAB AVERAGE PREMIUM CHANGES, Q4 1999-Q4 2023



Source: CIAB Commercial Property/Casualty Market Index Q1 2024

## GENERAL PRICING ESTIMATES

Non-CAT-exposed property with favorable loss history

Up 10% to 19%

CAT exposed property with favorable loss history

Up 20% to 50%



## CASUALTY

### General Liability

- + The general liability average premium increase was 4.1%, with claims reporting an increase of 33%.<sup>4</sup> Nuclear verdicts continue to impact general liability.
- + Admitted and Excess & Surplus lines (E&S) carriers have exited the market in Florida, Georgia, and Texas.<sup>5</sup>
- + Insurers are requesting more detailed information on past losses and measures implemented to prevent recurrence.
- + The commercial general liability market is anticipated to experience rising premiums and stricter terms and conditions, influenced by each organization's risk profile and loss history.

### Excess Liability

- + Excess liability market rates are stabilizing, with loss-free accounts experiencing flat or single-digit increases and challenged accounts experiencing larger increases.<sup>5</sup>
- + Some middle-market regional carriers are significantly reducing excess lines to \$1M - \$2M or exiting due to fear of large claims verdicts. Excess capacity becomes more available beyond \$10M.<sup>6</sup>
- + Litigation and worsening loss ratios are leading to higher premiums.<sup>6</sup>
- + It remains difficult for insurance carriers to collect adequate premiums to keep these lines profitable due to nuclear jury verdicts and the continued increase in claims frequency.

## GENERAL PRICING ESTIMATES

General Liability

Up 5% to 9%

Umbrella & Excess Liability – Middle Market

Up 5% to 10%

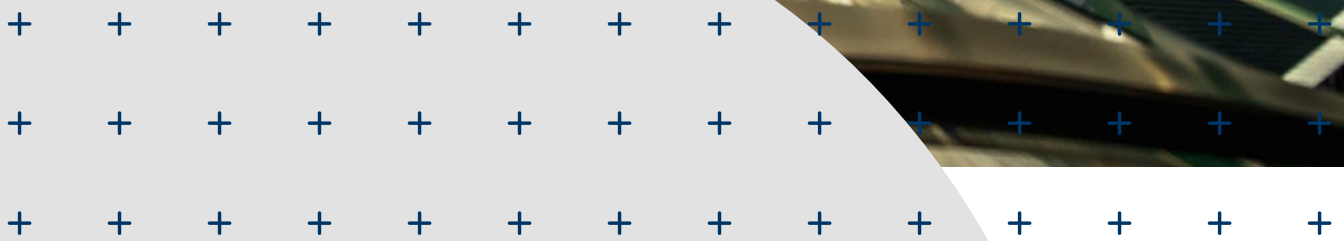


## Workers' Compensation

- + Workers' compensation premiums made up a shrinking piece of the P&C market, decreasing to 5% of total P&C premiums in 2023, down from nearly 8% in 2022.<sup>7</sup>
- + Net written premiums for private workers' compensation increased by 1% to reach \$43 billion in 2023, up from \$42.5 billion in 2022.<sup>4</sup>
- + Premiums remain risk dependent based on the type of risk and carrier availability.

## Auto

- + Auto carriers continue to face significant challenges due to nuclear verdicts and rising medical costs.
- + Finding carriers willing and able to offer coverage limits for hired and non-owned autos remains a challenge.<sup>4</sup>
- + Commercial auto premiums increased by an average of 9.8% in Q1 2024. Vehicle repair costs have risen by 23% since 2022, leading to higher claims costs and premiums.<sup>4</sup>



## GENERAL PRICING ESTIMATES

Workers' Compensation	Down 1% to up 9%
Auto	Up 10% to 20% Up 25% to 30%+ if large fleet and/or poor loss history



## EXECUTIVE RISK

### Cyber

- + The cyber insurance market remains stable with ample capacity for cyber policies. Premium reductions of 5% or more were common in Q1 2024.
- + Insurers have not imposed new restrictions on coverage and are willing to consider modifications and expansions based on an organization's actual needs.
- + Insurers' underwriting standards have remained unchanged, focusing on basic levels of cyber hygiene and the need for a cyber business continuity plan.
- + Privacy events and litigation related to online tracking technologies and wrongful data collection are becoming a significant cause of insured losses. Insurers may firm up pricing or increase premiums due to the potential impact on profitability.
- + The risk of attacks on supply chain vendors is a growing concern, highlighted by the cyber-attack on Change Healthcare and its ripple effects throughout the healthcare industry.

### Directors & Officers (D&O)

- + D&O premiums decreased by an average of -0.8% in Q1 2024. Despite the increase in D&O filings in 2023, the pricing for D&O insurance remains generally more favorable than the previous year.
- + The current pricing environment is influenced by the combination of new capacity entering the market and fewer IPOs and de-SPAC transactions.
- + However, the impact of increased litigation and IPO activity on pricing is yet to be determined.





# MAJOR CLAIMS IN THE SECTOR

## WRONGFUL DEATH



### \$37.5 MILLION VERDICT

The decedent was driving on the highway when his 18-wheeler malfunctioned. After pulling over to investigate, he was struck and trapped between his vehicle and another by a distracted utility company driver who failed to brake. The jury awarded \$37.5 million in damages.<sup>8</sup>



### \$20 MILLION VERDICT

The plaintiff was driving a motorcycle when he experienced a crash resulting in paralysis. It was determined that the motorcycle's brakes were defective, and the company was aware of this defect. The jury awarded \$20 million in damages.<sup>9</sup>



### \$72.5 MILLION VERDICT

A Florida tourist was crossing the street in New York when she was struck and dragged 20 feet by a city bus. The jury awarded her \$72.5 million in damages.<sup>9</sup>





# GUIDANCE



## BEGIN THE RENEWAL PROCESS EARLY

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



## PARTNER WITH INDUSTRY EXPERTS

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



## HIGHLIGHT CYBER SECURITY & PROACTIVE RISK MANAGEMENT

IMA has a team solely dedicated to managing cyber risks. They offer expert assistance, including coverage analysis, economic 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** 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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## KEEP READING

PREVIOUS EDITION

RISKS IN FOCUS

EMPLOYEE BENEFITS BLOG



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