



COMMERCIAL INSURANCE

EMPLOYEE BENEFITS

PERSONAL INSURANCE

RISK MANAGEMENT

SURETY

HOSPITALITY

Markets in Focus



Insurance Pricing & Market Update

Q3 2024

INTRODUCTION

Throughout 2024, the hospitality industry continues to focus on delivering experiences customers demand and expect. To meet these expectations, hotels and casinos are looking to craft a more experiential atmosphere while restaurants focus on technology to deliver better efficiency.

A resurgence in construction for hotels and casinos is fueled by growing travel demands and consumers looking for more unique experiences, from eco-friendly designs to immersive environments to more multifunctional accommodations.¹ To meet these expectations, hotels, resorts and casinos are particularly focused on designing versatile space with an emphasis on environmental responsibility and also guest-centric services.

As staffing continues to be an issue in 2024, restaurants continue to implement technology to fill critical gaps during times when they are not fully staffed for both front-of-the-house and back-of-the-house duties.² Over one-third of restaurants surveyed expect to increase investments in automation tools, which are helping cover worker shortages while increases profits. The recent global technology outage highlights vulnerabilities of the hospitality industry to technology issues from software glitches to cyber-attacks, especially concerning the amount of consumer data the industry handles.³ These challenges will present a need for robust solutions to remain vigilant in the industry.



Consumer spending throughout most of the sector remains strong in 2024, but the industry continues to experience volatility. Restaurants have realized strong employment, but weekly total hours worked by employees averages less than full-time and hiring has slowed since spring.⁴ Wages for hotel workers exceeds the general workforce by 15% but the overall industry employment continues to significantly lag need, by 8 million jobs, according to Kevin Carey, AHLA interim president & CEO.⁵

Table of Contents

02 Introduction

03 Market Outlook

07 Major Claims in the Sector

08 Guidance



MARKET OUTLOOK

PROPERTY

- + Carriers continuously adapt to evolving weather patterns, influencing current and future policy renewals.⁷
- + Q2 reported average premium increases across all lines were 10% or less, according to the Council of Insurance Agents and Brokers.⁶
- + Excess and surplus lines property carriers have greater confidence in their portfolios, anticipated reinsurance limits, and associated costs. In response, they strategically target premium and exposure growth, accompanied by a recalibration of pricing benchmarks. This approach has facilitated clients' ability to secure enhanced coverage limits, standardize terms and pricing across various placements, and attain modest rate reductions in certain instances.

Builder's Risk

- + Increased competition in the market has led to rate stabilization, which was originally anticipated to trend upwards. Carrier consolidation in the space could lead to preferential pricing.
- + The market for builder's risk took a large loss in Oklahoma City Fire which is currently estimated to be a \$60M to \$80M loss.⁷
- + Rates and terms challenges may continue as carriers identify rate and underwriting practices for growth.
- + Water damage deductibles will remain high due to claims frequency. In addition, there has been an increase in markets requiring water flow detection systems.
- + Increased site security requirements may include closed circuit television video surveillance (CCTV) and 24-hour surveillance. Additionally, there is a push for wet/heat sensors that are another barrier and pushing projects to higher cost carriers that do not require the site security subjectivities.
- + Crime scores will be looked at when determining deductibles for theft and vandalism coverage.
- + Carriers often want coverage bound for when sitework begins, rather than waiting for the project to go vertical. This can change coverage limits, rates, and exposure.

GENERAL PRICING ESTIMATES

Non-CAT exposed property with favorable loss history	Up 3% to 5%	+	+	+
CAT exposed property with favorable loss history	Flat to up 10%	+	+	+

CASUALTY

General Liability

- + The hospitality sector continues to be a challenging class in most areas of the insurance market. Carriers are focused on profitability due to the continued pressures of claims settlements, judgments, and rising litigation expense.
- + Capacity remains in the casualty market; however, strict terms and conditions are being applied based upon each organization's risk profile and loss history. The underwriting process requires more support to illustrate strong operating policies and procedures.

Excess Liability

- + The umbrella insurance market is seeing more stability. However, liability lines remain vulnerable to social inflation. Organizations must still bear the financial burden of nuclear verdicts that exceed policy limits.



GENERAL PRICING ESTIMATES

General Liability	Up 5% to 10%
Umbrella & Excess Liability	Up 10% to 20%

Workers' Compensation

- + Workers' compensation premiums have stabilized, and insurer profitability is on the rise as safety becomes a greater focus.
- + More carriers are seeking opportunities in hospitality in this line of coverage, adding competition.
- + Premiums remain risk dependent based on loss experience.

Auto

- + The auto insurance sector faces significant challenges, particularly from nuclear verdicts and escalating medical costs. These nuclear verdicts remain prevalent in auto accident cases, contributing to the constrained availability of standalone auto insurance markets.
- + Enhanced risk control practices can mitigate auto rate increases.

GENERAL PRICING ESTIMATES

Workers' Compensation

Down 4% to flat

Auto

Up 10% to 19%
Up 20% to 29%+ if large fleet and/or poor loss history



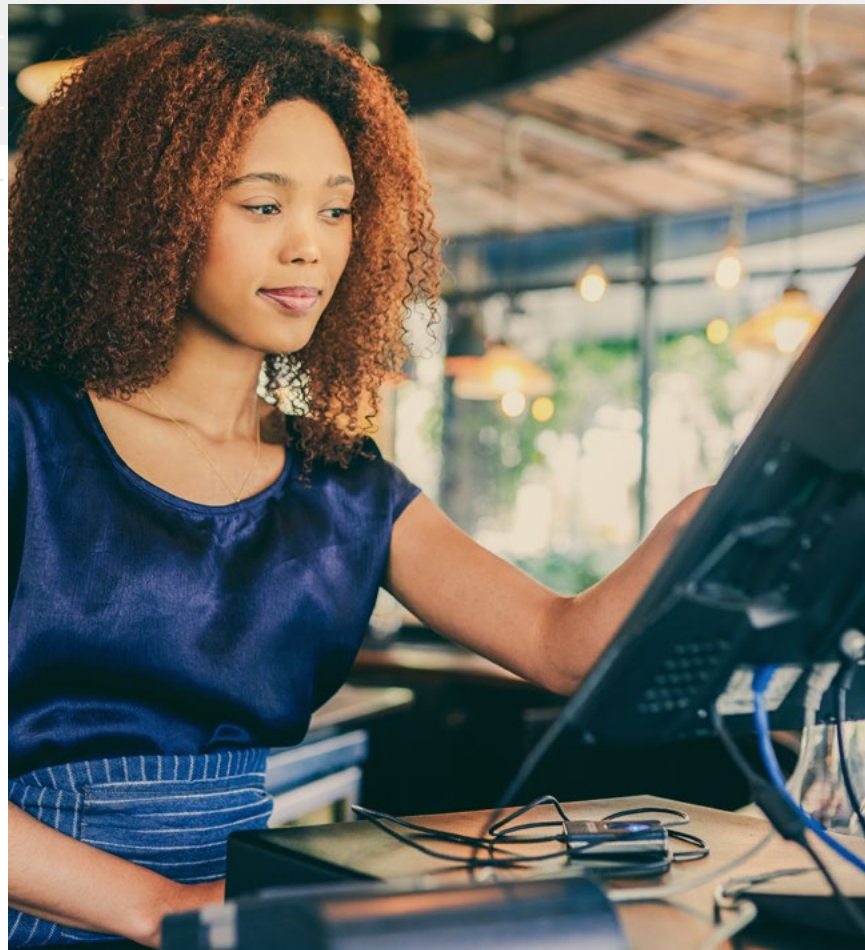
EXECUTIVE RISK

Cyber

- + Cyber insurers are increasingly eager to expand their portfolios, which could be reflected in the adoption of more lenient underwriting standards and an expanded appetite for risk.
- + Data breaches continue to be a critical issue, with a 14% increase in incidents in the first half of 2024 compared to the same period in 2023.⁸
- + When it comes to cyber risks, hotels are especially vulnerable as they deal with a large amount of personal information from guests and customers. Fines for breaches are steep and have become more numerous in recent years.
- + Underwriters are demonstrating flexibility by enhancing coverage to secure or retain key accounts.
- + 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.

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.
- + Numerous D&O carriers and reinsurers have publicly expressed concerns about the unsustainability of current pricing levels. In a December 2023 market report, reinsurer TransRe criticized the D&O market as being "untethered from empirical data and unhindered by logic," resulting in inadequate pricing.



MAJOR CLAIMS IN THE SECTOR



\$301 BILLION VERDICT

Two decedents, a 59-year-old woman and her 16-year-old granddaughter, were killed while driving in northern Texas. Their vehicle was struck when a drunk driver ran a red light. The offending driver was served “dangerous” amounts of alcohol at a bar. In December 2019, the jury awarded \$301 billion.⁹



\$20 MILLION VERDICT

A plaintiff sued a hotel for failing to provide the required work accommodations, causing him to quit his job. While the hotel initially made accommodations for the man, who is paraplegic, these were subsequently changed. In September 2023, a jury awarded him \$20 million in damages.¹⁰



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

We have 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.

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MORE THAN JUST INSURANCE

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