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COMMERCIAL INSURANCE
EMPLOYEE BENEFITS
PERSONAL INSURANCE
RISK MANAGEMENT
SURETY

REAL ESTATE

Markets in Focus

Insurance Pricing & Market Update
Q4 2024

INTRODUCTION

The real estate market has weathered record storms and uncertain economic conditions and appears to be stabilizing. Slower inflation and moderating interest rates may provide the tailwinds to usher in positive opportunities in 2025 even as a wide range of variables look to impact availability of capacity, breadth of coverage, and competitiveness of rate.

Rate increases over the past couple years have put carriers and reinsurers in good position, and price moderation is expected in 2025 except for auto and excess lines. Reinsurance capacity continues to increase and demand for reinsurance coverage is also growing.[1]

Even though the 2024 hurricane season had several impactful storms the catastrophic damage was less than anticipated and unfortunately uninsured in some areas. Milton caused less damage than forecast and investors in catastrophic bonds experienced little impact from the storm.[2] The Swiss Re global cat-bond index is up more than 13%, as investors emerge largely unscathed after what meteorologists had warned would be one of the most active hurricane seasons in recent memory.

Overall construction starts slowed even as spend increased. Year-over-year construction starts are down 8.3 percent, led by non-residential at 33.4% while residential was down 16.2%.[3] Residential single-family and manufacturing sectors led the industry, but multi-family and commercial were down, and both are expected to continue to taper off into 2025. Contractors of all sizes have experienced a decline in backlogs, now at 8.4 months and a 0.9 month decrease year-over-year.

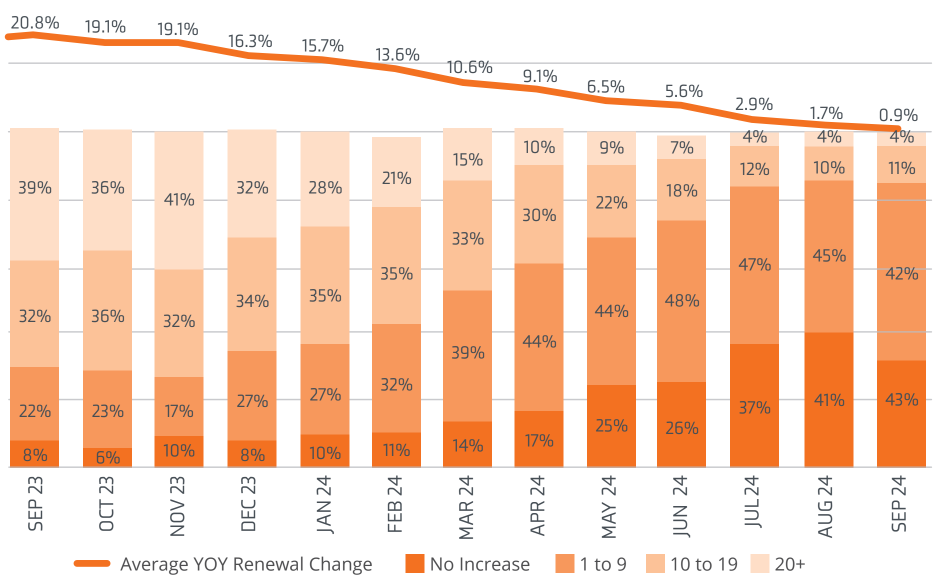
MARKET OUTLOOK

PROPERTY

PROPERTY REDY® INDEX

OCTOBER 2024 MONTHLY RENEWAL PRICING ANALYSIS

Source: REDY® Index Property Q3 2024[4]



There is no shortage of capacity for property as the reinsurance market signals more capacity, backed by strong third-party capital and supported by securities.

- Hurricanes came in with lower projected losses than anticipated. Estimates for insured losses are between $30 – $50Billion from Hurricane Milton.[5]
- The property insurance market stabilized significantly this past year, driven primarily by two years of insurer and reinsurer profitability and improved conditions in the reinsurance market. Property rates increases are decelerating and even falling, in some cases.
- January treaty renewals will show what takes place with renewals, though catastrophe pricing is unlikely to retreat.[6]
- The result of the presidential election is forecasted to reduce market volatility and may reduce inflation and interest rates.
- There is no shortage of capacity for property as the reinsurance market signals more capacity, backed by strong third-party capital and supported by securities. Pricing competition should broaden with meaningful risk-adjusted rate decreases for the best-performing risks and a better balance for the whole market.
- Catastrophic weather, particularly wildfire, remain major issues for the space, causing a larger reliance on excess and surplus lines market.
- Severity and frequency of losses remain client dependent, outside of what the market is doing.
- Coverage solutions are available in the property market.
- Building construction is shaping the increase in added deductibles, primarily in new construction rather than existing construction.
- Modeling for northeast winds is a project in consideration by some carriers. Other entrants will determine if the model proves valuable.

GENERAL PRICING ESTIMATES

Non-CAT exposed property with a favorable loss history	Down 10% to up plus 5%
CAT exposed property with favorable loss history	Down 2% to up plus 5%

CASUALTY

General Liability

- General liability market is projected to remain challenging. The recent surge in claims severity driven by higher inflation and supply chain shortages is waning and, combined with rapid growth in written premiums from sizable rate increases and higher investment yields, should provide some relief.[7]

- Premiums for general liability coverage are expected to rise driven by claims severity and ongoing inflationary pressures and insurers bolstering liability reserve estimates.[8]

- Assault and battery markets are hardening and are becoming more expensive.

- There is a growing supplement market for active assailant policies that provide coverage when assault and battery is not available.

- Directors focusing on risk control are finding more favorable coverage options.

- Street crime continues to impact property owners, rather than incidents occurring from actual tenants. Crime scores are being monitored to assess risk. Working with local law enforcement can help and utilizing spatial datasets provides advantages.

- General liability markets are now more challenging than property markets. Coverage limits are available at a premium.

Excess Liability

- Excess and surplus (E&S) premiums now account for 11.1% of the nation's total property premiums, nearly double their share of the market in 2018.[9]

- Feasible coverage options with what is in the market, as E&S pick up the drop in admitted coverage in high-risk areas, though capacity is shrinking.

GENERAL PRICING ESTIMATES

General Liability	Up 5% to 10%
Umbrella & Excess Liability	Up 10% to 15%

Workers' Compensation

+ Workers' compensation premiums have continued to decrease, falling 2.2% from first quarter 2024 to second quarter 2024,[10] and insurer profitability is on the rise. This results in overall growth and can increase coverage availability.

+ In the past year, lost time claim frequency decreased by 8%, continuing a long-term trend driven by improved workplace safety measures. These advancements, supported by evolving safety technologies, have contributed to consistent annual rate decreases across most U.S. states.[11]

+ There remains a possibility of workers' comp premiums increasing in 2025 due to wage inflation, reduced rates, and increased size of primary claims.[12]

Auto

+ The U.S. private passenger auto insurance market is projected to see a significant return to underwriting profitability in 2024, with S&P Global Market Intelligence (GMI) forecasting a combined ratio of 98.4, down from 104.9 in 2023 and 112.2 in 2022.[13]

+ The average third-quarter premium renewal rate for commercial auto increased 9.71%, compared with 9.27% in the second quarter. The highest rate change, 9.73%, occurred in July, while the lowest was in September.[14]

GENERAL PRICING ESTIMATES

Workers' Compensation	Down 2% to Flat
Auto	Up 10% to 20%

EXECUTIVE RISK

Cyber

- Even with an expanding threat landscape and higher ransomware payouts, the cyber market continued to stabilize through the third quarter of 2024.
- Cyber insurers were largely uninterested in expanding coverage in the third quarter, however willing to expand coverage on a case-by-case basis.
- The impact of a major cyber incident, linked to CrowdStrike, has shifted many claims focus from cyber policies to business interruption coverage.
- Insurers still mandate that organizations implement basic cybersecurity controls to be eligible for broad cyber coverage.

MAJOR CLAIMS IN THE SECTOR

$22.5 MILLION VERDICT

In Missouri, plaintiff was walking home on a dark road on church property which was available for public use. The road was poorly lit, and he was struck by a car, suffering serious injuries. Jurors awarded $22.5 million.[15]

$4.2 MILLION VERDICT

A FL plaintiff was shopping at a supermarket when she slipped and fell. Jurors awarded $4.2 million.[16]

$3.29 MILLION SETTLEMENTS

In District of Columbia four insurance companies settled lawsuits charging they were involved in a kickback scheme with local real estate agents and title companies. Both Washington DC and federal laws prohibit kickback or other compensation for the referral of title insurance.[17]

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. 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.

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