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CELEBRATING 55 YEARS

Market realities – by Spencer Macalaster

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Spencer Macalaster
Risk Strategies Co.

As we reach the mid-point of the fourth quarter of 2017, our clients are asking us for predictions regarding renewals and the overall insurance environment. For the last nine plus years the insurance marketplace has seen substantial growth of capital investments, combined with reasonable loss experience and carrier surplus. The markets for the most part have remained stable throughout 2017. Pricing through the first three quarters saw flat to moderate rate reductions. Rate changes, if any, through the 2017 renewals were primarily confined to inflationary levels, except for those risks in catastrophic loss locations, such as waterfront, wind prone and the like.

However the storm clouds of a hardening insurance market are becoming increasing evident. We can characterize 2017 as the year of catastrophic events. The three major named storms hitting Texas, Florida and the Caribbean Islands took their toll with an estimated insured cost of over $75 billion. The Mexican earthquake hit the insurance market with loss estimates to exceed $1 - $2 billion. Finally, the California wild fires caused extensive loss throughout Napa and northern Calif. We do not know the extent of the insured exposure from this event, but some estimates are between $3 - $6 billion. All told loss experience in 2017 is causing a significant ripple effect throughout the insurance and re-insurance marketplace.

The insurance market for 2018 is now predicted to harden with rate increases expected in all lines of coverage. Buyers nervous about changes in their property placements will fall into two distinct groups. Those with little catastrophic exposure will experience single to low double digit rate increases. Those with catastrophic exposure and losses, especially to flood or wind perils, will see significantly higher rate increases (20% - 30%) and higher deductibles.

Primary casualty insurance (general liability and workers' compensation) capacity remained steady; insured's should expect renewals with rate of inflation increases. Favorable loss histories will dictate the outcome of the casualty renewal. Investment in loss prevention along with claims management and contractual controls will enhance your risk in the eyes of the underwriting community. The umbrella marketplace has firmed more significantly than the primary markets and capacity is harder to negotiate and will be more expensive at renewal.

Strong loss prevention measures combined with claims management and contractual standards are increasingly important, thereby presenting the best possible risk to the carriers. In addition to building strong risk management relationships with your broker and underwriters, approaching the marketplace early will allow for the negotiation of the most competitive program the markets will offer. We recommend you work closely with your insurance broker, prepare your submission early, and detail the precautions you have taken to protect your risk.

Spencer Macalaster is executive vice president and real estate practice leader with Risk Strategies Co., Boston.