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2015 forecast: Time to build strong risk management relationships with your broker

February 12, 2015 - Financial Digest

As we entered the fourth quarter of 2014, our clients were asking for budget estimates on their 2015 renewals. What we have been saying and predicting has been met with enthusiastic applause. The markets for the most part have remained stable throughout 2014. Pricing through the first three quarters has seen flat to moderate rate increases. One interesting difference in this marketplace is price increases will not be driven by capacity shortages, which is a typical hard market driver. Rate increases, if any, are primarily confined to inflationary levels, except for those risks in catastrophic loss locations, such as waterfront, wind prone and the like. The primary areas of concern looking into 2015 are legislative. The pending expiration of the Terrorism Risk Insurance Act (TRIA) is still waiting for extension approval.

Buyers nervous about rate increases in their property placements will fall into two distinct groups. Those with little catastrophic exposure will see competitive renewal options. Those with catastrophic exposure, especially to flood or wind perils, will see lower CAT limits, higher rate increases and higher deductibles. The formula for 2015 remains: abundant capacity + low underwriting losses + weak economy = competitive market.

Primary Casualty insurance (general liability and workers' compensation) capacity remained healthy; insured's should expect renewal increases of flat to rate of inflation. 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. One area of concern is the construction industry where litigation and antiquated laws are driving up rates. The umbrella marketplace has firmed more significantly than the primary markets and capacity is harder to negotiate and moderately more expensive at renewal.

We believe the "tipping point" for most insureds has been reached when it comes to Cyber Liability. Make no mistake, all companiesâ€”big or smallâ€”are vulnerable to a privacy breach or a network security incident. Cyber liability can be attributable to human error, hackers, digital espionage, data theft, denial-of-service attacks, electronic sabotage, improper employee or contractor access, computer viruses, or programming errors. The threat is real and our clients have approached the exposure from both a prevention standpoint and insurance coverage standpoint. We strongly recommend all companies evaluate cyber liability coverage during their next renewal cycle.

Executive Management Liability insurance continues to show signs of firming with most renewal rates increasing 10% or more. Even companies with claim free exposures are experiencing rate increases. Companies with global operations should evaluate the evolution of corporate laws expanding the duties of D&O's in many foreign jurisdictions. Coverage voids may exist for foreign D&O's at subsidiaries of U.S. parent companies.

Purchasing local D&O policies in countries that do not recognize non-admitted U.S. D&O policies is a prudent option.

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.

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