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## **The current insurance marketplace continues to be favorable for the insurance buyer - by Spencer Macalaster**

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The current insurance marketplace, with the exception of health insurance, continues to be favorable for the insurance buyer. The industry has abundant surplus and has experienced reasonably decent results. Most businesses will be able to negotiate flat rates and some businesses may even see rate reductions. Insurance premiums, however, need to be kept in perspective. They are only one component in the cost of risk. The indirect cost of risk actually exceeds premiums paid. This includes money spent managing risk, training employees to be safe, dealing with claims, funding uncovered claims among other costs.

While it is important to understand the economics of the insurance industry and how this can affect your business, there is nothing you can do about it. The market is the market. What you can control is how your company manages risk. Risk management is “market agnostic.” It needs to be front and center all the time. In the long run, the only way to reduce your insurance premiums is to reduce the frequency and severity of claims that drive the cost. An effective risk management program coupled with a proactive risk management oriented insurance brokerage and the right insurance company is the key to lowering your total cost of insurance. Investment in risk management will produce great returns and directly impact your bottom line.

Commercial property coverage has led the soft market through 2016. The property insurance market continues to be competitive through the first half of 2017; with renewals for risks in wind and/or flood prone areas being the most challenging. Key markets for coastal perils have cut back capacity and are carefully analyzing this book of business. Companies should complete capital improvements that will enhance the risk in the eyes of the carriers. With appropriate loss prevention, insured's could see flat to modest rate through the remainder of 2017.

Primary casualty insurance (general liability) capacity remained healthy; insured's should expect renewal options to see rate of inflation rate growth at best. Favorable loss histories will dictate the outcome of the casualty renewal cycle. 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 than the primary markets and capacity is harder to negotiate

and more expensive at renewal.

The dramatic changes and volatility in the workers' compensation marketplace continues to prevail. The vagaries of individual state laws and regulatory oversight dictate the insurance markets response to availability and pricing. NCCI is changing the methodology of the Experience Modification calculation which will have a upward trending effect on your "mod". Middle market programs have been most challenging, with concentration of risk impacting the underwriting authority most. Strong loss prevention and corporate safety are imperative to the long term success of a workers' compensation placement.

Executive Management Liability insurance continues to show changes in underwriting with most renewals growing at 10% or more. Companies with global operations or expansion plans should consult with their broker regarding 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 might be a prudent option.

We believe the pressure on increased rates will moderate through the remainder of 2017. Continued debates over the budget in Washington is causing anxiety in the insurance industry—much more concern, it would seem, than the industry's ability to handle random weather events. It will be extremely important for corporate management to build strong relationships with their underwriters. Strong loss prevention measures combined with claims management and contractual standards are increasingly important, thereby presenting the best possible risk to the underwriters. In addition to building strong risk management relationships with your broker and underwriters early action will allow for the negotiation of the most competitive program the markets will offer.

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