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M&T Insurance Agency, Inc. provides commercial property insurance changes

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Boston, MA The past couple years have sent shock waves through the commercial property insurance industry – some cyclical and some more unusual. To understand what the new environment means for you and your insurance strategy, you need to know what factors are at the root of the changes and work with experienced experts to ensure your current program aligns with today’s evolving needs. M&T Insurance Agency, Inc. is here to help you do just that.

Landscape Overview: All industries are subject to some semi-predictable cyclical change. The impact of the cycles may vary, but there is a natural ebb and flow that occurs over a regular period. The commercial property insurance market is no exception. Over the past few years, the industry has moved into a period of hardening – a part of the natural course of market correction – after many years of softness. If the market were only experiencing this cyclical shift, policies might change in predictable ways. Right now, that is not the case. Today the industry is in the middle of a perfect storm with new, critical signs that indicate a different form of hardening. Results from Q1 2019 marked the industry’s seventh-consecutive quarter of premium increases, according to the Council of Insurance Agents & Brokers’ Commercial Property/Casualty Market Index Survey.¹

Extreme weather factors, failure to mitigate/adapt to climate change and natural disasters play a huge role in the lasting change for the industry. Recently, the market has been trying to recover from catastrophe-related (cat) losses following major hurricanes and wildfires, while simultaneously preparing for the changing weather patterns and the growing unpredictability of severe weathers that may cause an extended period of volatility. Global cat losses reached an incredible \$140 billion in 2017 and another \$80 billion in 2018, putting both years well above the \$41 billion average of the past 30 years.² Only time will tell what types of weather patterns will continue to impact the industry.

To help cover for these new considerations and massive cat losses, carriers – which experienced inconsistent financial performances over the past few years – have increased rates proportionately across the board. While policyholders in geographic areas of greater cat-related risk pay more, everyone feels some sort of impact on their insurance programs. In fact, industry research from the 2019 Q1 Council of Insurance Agents & Brokers’ Commercial Property/Casualty Market Index Survey predict that cat losses will account for a 5.9% overall increase in rates.³

With the commercial property insurance market in this perfect storm of cyclical and new extreme

factors, it is important to ensure your insurance program and strategies are as efficient and effective as possible to meet your unique needs.

Getting Started: This is a critical time for adjusting your commercial property strategies and assembling a plan for when/how to make future changes. Begin by creating an updated insurance-to-value (ITV) calculation that will help you ensure you have the right coverage to fit your distinctive needs and risk profile. While commercial property insurance coverage is priced to reimburse you the value of damage to or loss of your property, ITV realignment is crucial to ensure you are paying only for the coverage you need – and not overstating values – as property values rise and fall over time, along with changes to costs of building materials and labor

Next, evaluate your appetite for risk. Determine how much risk you are willing to retain and make certain this is reflected in the terms and conditions of your policies. This can have a significant impact on your premiums. For example, a policyholder with a \$5,000 deductible can potentially reduce their premium substantially by instead retaining the first \$25,000 or more of risk – but only after a rigorous risk assessment. Now more than ever, you also need to evaluate for non-standard coverages. While most property owners did not feel they needed to consider flood, wind or earthquake coverage 10 to 15 years ago, volatile weather prompts many to consider some form of cat coverage today.

Beyond cat coverage, property owners should consider other potential risks that could impact their business, and whether they've purchased the correct coverage to protect themselves from those perils

How MTIA Can Help

M&T Insurance Agency's experienced consultants are always serving as our clients' eyes and ears when it comes to staying ahead of industry changes. When changes do happen, we're ready to work with you to determine a customized solution to fit your unique needs. We understand how important choices are to our clients, so we always provide options for insurance strategies, even as markets are shifting and premiums are increasing. Providing options allows us to counterbalance premium increases from insurance carriers and tailor programs based on your individual requirements.

Our goal is to give clients the best coverage at the best price and ensure that if losses do occur, our programs are designed to cover your needs and protect your properties. Feel free to arrange time to speak with your representative today to ensure you have the right policies in place.

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<https://www.businessinsurance.com/article/20190517/NEWS06/912328510/Commercial-prices-increase,-comp-declines-CIAB>

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<https://www.munichre.com/en/media-relations/publications/press-releases/2019/2019-01-08-press-release/index.html>

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