



With Flames in the West and Floodwaters in the East, Insurance Property Premiums Continue to rise!

All industries experience cycles of expansion and contraction, and this is particularly true of the insurance industry. Typically, insurance cycles last two to ten years. A soft market is characterized by lower insurance premiums and easier underwriting. A hard market has rising insurance premiums and restrictive underwriting.

A recent string of natural disasters, such as California forest fires in the West and flooding in the East and Midwest, have been the main causes for this change in the insurance cycle from soft to hard market conditions as we approach the end of 2019.

Here are three reasons for the rising property premiums:

1. For insurance carriers, all of these significant natural disasters mean a large increase in claims. In 2011, a year declared as the highest catastrophe-related economic losses in history, losses were estimated at \$350 billion. The 2019 wildfire season in the western United States is the current-running fire season in California. So far, over 6,402 fires have been recorded according to Cal Fire and the US Forest Service, totaling an estimated of 250,349 acres. Flooding is the most lethal type of weather event in the nation, killing 116 people last year and causing \$6 billion in damage annually, according to National Geographic. When losses are high due to natural disasters, carriers reserves are reduced, and insurance companies look to replenish reserves by increasing rates.
2. Reinsurers are to insurance companies what Sallie Mae is to mortgage banks; they increase insurable capacity by sharing a portion of the risk with carriers. As a result of the recent natural disasters, treaty reinsurance rates are on the rise and this also translates to higher premiums for consumers. W.R. Berkley, CEO of Berkely Corp,

reported that although everyone expected this rise in premiums to take place earlier, “now we are seeing early but meaningful signs that it is responding to the catastrophic activity.”¹

3. Carriers such as Farmers insurance are reported to be non-renewing policies in order to balance catastrophic capacity issues; this is also pushing property premiums upwards. With each year, underwriters are becoming more sophisticated, looking more closely at losses, safety records and financials. According to AMWINS, a leading national general agency, “we are seeing insurance carriers dig deeper into a company’s financials than in the past. Most insurance underwriters today want a five to ten percent higher rate upon renewal, and some are requiring substantially more.”² Rates will vary from carrier to carrier and will depend on a business’s inherent risks, claims history and finances.

What can businesses do to minimize the impact of rising rates?

Because the market and underwriters are becoming more restrictive, it is imperative that a company’s management be involved with and committed to its safety programs.

1. Take a more active and strategic approach to managing your company’s risks and insurance claims. For ideas on how to accomplish this, contact Christian Mueller at (818)935-0216 or christian@reharris.com.
2. Be even more cognizant of your company’s financials. Most insurers are looking at whether bills are being paid on time and many insurers are using third party services to conduct credit scores.
3. Start your insurance renewal process earlier, both on a commercial and personal level.

Article by Christian Muller

¹ <https://www.carriermanagement.com/news/2019/04/25/192504.htm>

² https://www.amwins.com/insights/article/the-2019-market-changes-are-coming_3.19

** A SUCCESS STORY**

While many insurance carriers are raising rates and others non-renewing policies, REHIA successfully quoted a 55- room motel \$3.8 Million TIV \$9,938 premium with a \$1,000 deductible in WA. Competing quotes were twice this premium. Comparable quotes are available in California and western states.

If you're losing your carrier or need a competitive quote with excellent coverage, contact us at REHIA.

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