All. Together. Certain.

State of Commercial Insurance Market:

2017 has transitioned into 2018 with some change in rate anticipated

Natural Disasters had an impact…

2017 will be considered one of the most devastating natural catastrophe seasons due to damage created by Hurricanes Harvey, Irma, and Maria, California Wildfires and Mexico Earthquakes. With losses estimated in excess of $100B, Q4 insurance renewals experienced rate stabilization. In other words, rates did not decrease. In 2018, it's anticipated that commercial insurers will continue to seek rate increase, particularly on tougher classes of risk such as forest products, or classes of risk with adverse loss history. Part of this is due to natural disasters. Or, losses incurred due to natural disasters have insurers more closely examining their portfolio of business. Those lines of business that might be considered underpriced, or those lines of business that have incurred not just large loss, but consistent loss, will be priced at an increase, or non-renewed all together.

Flood…

Also of note, Hurricanes Harvey and Irma will surely impact the Flood marketplace. Flood-exposed risks were already closely scrutinized in recent years, which will continue. The National Flood Insurance Program (NFIP) has been under operating pressure for years. As of this Q3 2017, FEMA has borrowed from the US Treasury and continues to work with all companies to pay claims as quickly as possible so recovery can continue. Getting all remaining claims processed and paid remains the top priority.

Checking the Box on Safety…

Many executives working in the manufacturing sector that are checking all the boxes when it comes to workplace safety, facility maintenance, and hiring practices are not seeing a positive impact on insurance rate. Pricing is skewed in-part due to those businesses of similar scope that do not check all the boxes when it comes to workplace controls aimed at safety, facility maintenance and employee turnover. The insurers portfolio of business within a market sector, possibly pressure for rate from the insurers reinsurer, possibly overall adverse performance of an insurers book of business due to wind storms, wildfires, flooding or other related and non-related perils have played a part in increased rate. Bottom line, credits have not been as robust as in years past, and 2018 renewal pricing may show increase as a result.

Captive insurance programs were up 4.4% year-over-year by Q4, 2017. For the right business, a captive insurance plan can make sense. Typically, captive insurance takes into consideration general liability, auto liability and workers compensation. Running a safe operation? Best practices in place when it comes to hiring employees? Management controls in place that have proven effective when it comes to reducing employee lost time due to injury? Fleet maintenance and safety controls in place? Records documented and on file? Tired of reliance on the standard insurance market for potential rate decreases, credits and dividends?

Con't

With a captive insurance program, premium paid is based in-part on an individual companies loss performance. Qualifying for a captive is not easy. A lot of information about your business will be analyzed. Insurance loss summaries, financial reports, payroll, sales, employee hiring practices and employee turnover, and so on.

Data Breach a growing concern…

Taking a step away from storm related claims, but still property insurance-related, damage from cyber events has become a growing concern with the current trend of automation and data exchange in manufacturing technologies. We talked about this in an article earlier this year. While there may be an overlap of coverage between Property and Cyber policies, it's important to know exactly what you're covered for specific to data security, and just as important, what you are not covered for. Global ransomware claim activity has been so active that carriers are rethinking how they can insure for the issue…its becoming that commonplace.

Yet, despite all of the noise and activity (destructive malware claims exceeded $5B in 2017) around data security, the insurance industry has been quick to react with expanded coverage offerings and pre and post breach risk management solutions all of which contribute in transferring or mitigating cyber risk. Another silver lining in 2017 that will carry forth in 2018 has been the residual impact of an increase in companies purchasing cyber policies which further spreads risk and lowers premiums.

Auto rates to show some increase…

Regarding auto insurance, expect to see some movement in auto rates in throughout the year…which is a continuation of the trend from end-of-year 2017. Why the increase? Claims related to distracted driving are soaring. Don't text and drive! In addition, commercial driver employment shortages and hurricane auto physical damage losses in Texas and Florida have had an impact. According to AIG, deaths on highways in 2015 were up 7-8%, an increase of 2,500 fatalities as compared to the prior year. For the first three quarters of 2016 the increased trend continued at an 8% increase as compared to 2015. Hence, a loss trend has been building. As a result, it was only a matter time that some rate increase would occur.

Foreign market update…

For those of you that work in foreign markets, soft property market conditions that have prevailed in recent years show signs of hardening, particularly in regions impacted by Hurricanes and Typhoons. Typhoon frequency in the southern hemisphere has not been as severe as hurricanes here at home, but typhoon activity has had an impact. In 2018, we expect pressure by reinsurers and insurers to push rate increases, especially-so on natural catastrophe exposed businesses, and particularly those exposed to Hurricanes and Typhoons in the Atlantic and Asia Pacific regions respectively.

With regard to the EU, as Britain continues to head down the Brexit path, it is not expected that Brexit will have any immediate impact on the insurance market either in the UK or Europe. Eventually there could be an impact if UK insurers no longer have access to the rest of the EU (the single market concept). However, most leading insurers already have offices and licensed operating companies in most EU countries. Hence, even loss of use via the single market principle will be insignificant.

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