Another Year, Another Rate Hike
Insurance Realities in Real Estate

The Property and Casualty (P&C) market has been hit with record-setting losses over recent years, which translates to strict underwriting standards, limited capacity, and higher premiums for consumers. In Q4 2021, global commercial insurance rates **jumped by thirteen percent**, which makes it the seventeenth consecutive quarter of increases.

So, what's causing these loss patterns and rate increases in the commercial P&C market? Unpredictable weather events and nuclear verdicts have led to never-before-seen losses, which translates to higher prices.

Insurance companies that offer coverage in areas that have seen extreme cold, fires, floods, and hurricanes are feeling the effects of unpredictable weather firsthand. In just the first half of 2021, natural disasters caused a total of **$42 billion in insured losses globally**, which was a ten-year high. From winter storm Uri in Texas to hurricane Ida in Louisiana and wildfires in the West Coast, these are just a fraction of extreme weather events that swept the country in 2021. This all amounts to billions of dollars in damages. And in areas where financial losses due to natural disasters have been high year over year, some carriers have pulled out of those markets altogether.

Unfortunately, these are both trends that show no sign of slowing down in 2022. The US commercial property insurance market continues to feel the repercussions from catastrophic weather events and nuclear verdicts.

This is why the Real Estate industry can expect to continue to see limited capacity and increased scrutiny from underwriters in the foreseeable future. Property developers, managers, and owners will have to continue to provide better information about buildings, particularly roofs.

Underwriters are also going to be more selective about the type of building they insure. If you were able to get away with undervaluing the replacement cost of your assets to pay less in premiums, this will become more difficult to do as carriers seek to recoup losses and obtain better data for their modeling

What can you do to navigate the complexities of a hardened insurance market?

As a response to market conditions, you can adapt your approach to purchasing insurance to find solutions that can cover the cost of replacement of your assets. What used to be insured under the same policy might now need to be insured by separate policies based on asset class or geographic location. Splitting up a master program into smaller programs, as appropriate, can lead to cost savings without compromising coverage.

Our team can help you determine if and when this strategy will provide you with the best possible outcome based on your specific circumstances. Connect with us to learn more about our approach to risk management and how we can help you navigate strict carrier guidelines.

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