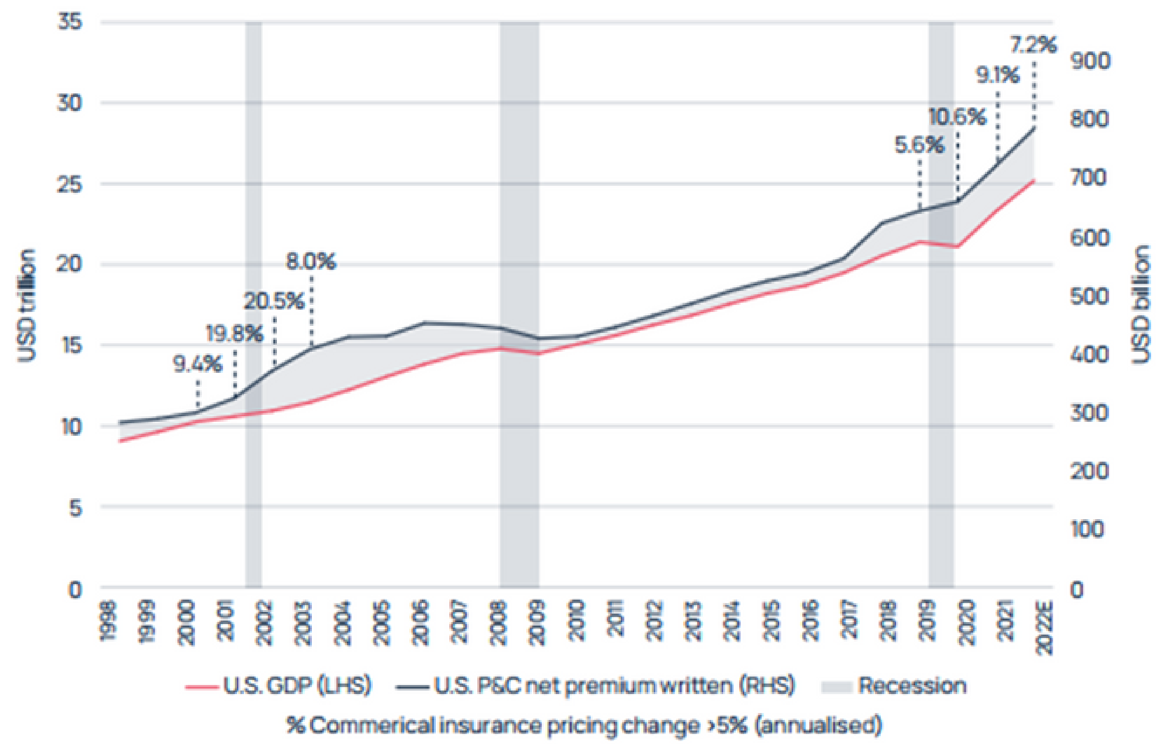
GLOBAL TURMOIL CONTINUES TO DRIVE PREMIUMS UPWARD

In recent years, global events have been anything but predictable, with instability seeming to be one of the few constants we've come to expect. And just as businesses are having to grapple with growing operational costs as a result of these events, so too are insurance carriers. In response to these adverse variables, the property and casualty (P&C) insurance market has hardened, which means **premiums are higher, carrier capacity is diminished, and underwriting scrutiny is heightened**. Unfortunately, the issues which have led to a hardened insurance market are likely to persist in the foreseeable future.

(Source: Howden, U.S. Bureau of Economic Analysis, S&P Global Intelligence, CIAB)



WHY ARE COMMERCIAL PROPERTY INSURANCE PRICES HIGHER?

LET'S TAKE A LOOK:

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Economic pressures such as inflation and the threat of recession all make it difficult for carriers to maintain pricing and keep pace with unpredictable loss patterns. In a high inflationary environment, loss expenses increase, which can result in higher loss ratios for carriers. Furthermore, insurance carriers are as susceptible as all businesses to the threat of a recession, which economic experts fear is on the horizon due to rising interest rates, sustained labor challenges, and reduced economic activity.

Supply chain disruptions brought on by increased demand and slowed production during the COVID-19 pandemic continue and are exacerbated by labor shortages and geopolitical conflict. Supply chain issues have led to a shortage of raw materials – creating construction project delays, driving up rebuilding costs, and increasing losses for carriers.

Persistent labor shortages caused by the Great Resignation and an aging workforce in key industries, including construction, manufacturing, and transportation worsen supply chain issues. Labor shortages in the construction industry means that there are fewer available workers to meet labor demands in regions that experience severe losses due to extreme weather events. To attract and retain talent, employers are raising wages, which is another factor contributing to growing construction costs. Carriers are struggling to adapt risk models to account for growing wages in this sector.

Geopolitical unrest has had far reaching consequences, particularly the Russia-Ukraine conflict. This war has further hampered an already strained supply chain. Additionally, international conflicts also heighten cyber security concerns for businesses and threaten a cyber insurance market with limited capacity.

Extreme and continual loss patterns across property insurance, excess lines, and cyber insurance driven by severe natural disasters, cyber events, and nuclear verdicts pose a threat to carriers that are struggling to adapt underwriting strategies and risk models that better align with volatile exposures. Because past events are no longer indicative of the future, carriers have become cautious in their risk selection and pricing.

NAVIGATING A HARDENED INSURANCE MARKET

Though finding the right coverage for your business is more challenging than it's been in years, there are strategies you can implement that help safeguard your organization from exposures that can also help you get more favorable market results. Our team can help you identify where your business is most vulnerable, develop loss control strategies, and paint a clear narrative of your risk that carriers will understand to help you obtain the best terms for coverage.

Connect with us today to learn more about our customized and consultative approach to risk management.

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