

March 2024 State of the Market

Insights for CRA Clients

Happy March!

Although the insurance market has had its fair share of stormy weather in recent years, there are signs that conditions may be moderating.

While cyber, D&O and workers' compensation insurance are all stable, liability and health insurance continue to trend upward. Property insurance continues to be challenging. However, it appears that property insurance rate increases may have peaked in Q1 of 2023. For example, in Q4, the average commercial property insurance rate increase was 11.8%, compared to an average increase of 20.4% in Q1.

Of course, natural disasters are an ongoing concern, and although inflation has cooled, its effects are still noticeable. This is a good time to consider how you can control your risks and coverage.

Use these insights to make informed decisions and to develop proactive strategies.

- Assume that insurance will cost more than last year and budget accordingly.
- Collaborate with us well ahead of your renewal so our team can shop the market and help you explore the pros and cons of all coverage and risk management options.
- Implement risk management best practices and harden your properties to reduce the chance of loss. These steps will help position your account as a better underwriting risk.
- Make any needed property and roof updates ahead of your renewal.
- When submitting applications, be thorough and provide detailed documentation.

If you have any questions about the enclosed report and what it means for your company, please reach out to us.

We are here to help you navigate!

State of the 2024 Commercial Insurance Market

Trends Impacting Commercial Property Insurance



NATURAL DISASTERS

2023 was a record-breaking year for costly natural disasters in the U.S. NOAA recorded 28 weather and climate disaster events with losses of at least \$1 billion, more than the previous record of 22 events in 2020. The 2023 disasters included 19 severe storms, four flooding events, two tropical cyclones, one drought, one wildfire and one winter storm. However, despite the record number of separate events, total losses were only \$92.9 billion. The average loss for the last five years is \$120.6 billion, so this is an improvement.



SECONDARY PERILS

[Swiss Re](#) says insured losses from severe thunderstorms reached a record-high of \$60 billion in 2023. Over the last three decades, losses from severe thunderstorms have increased by 7% annually. High-frequency but low-to-medium-severity losses are adding up for insurers and are expected to exceed \$100 billion for the fourth year in a row.



INFLATION

In December 2023, the Consumer Price Index increased by 3.4% year-over-year. Inflation cooled in 2023 after reaching high levels in 2022. However, inflation is still above pre-pandemic levels, and the cumulative effect of inflation in recent years has impacted claims costs.



CARRIER EXITS

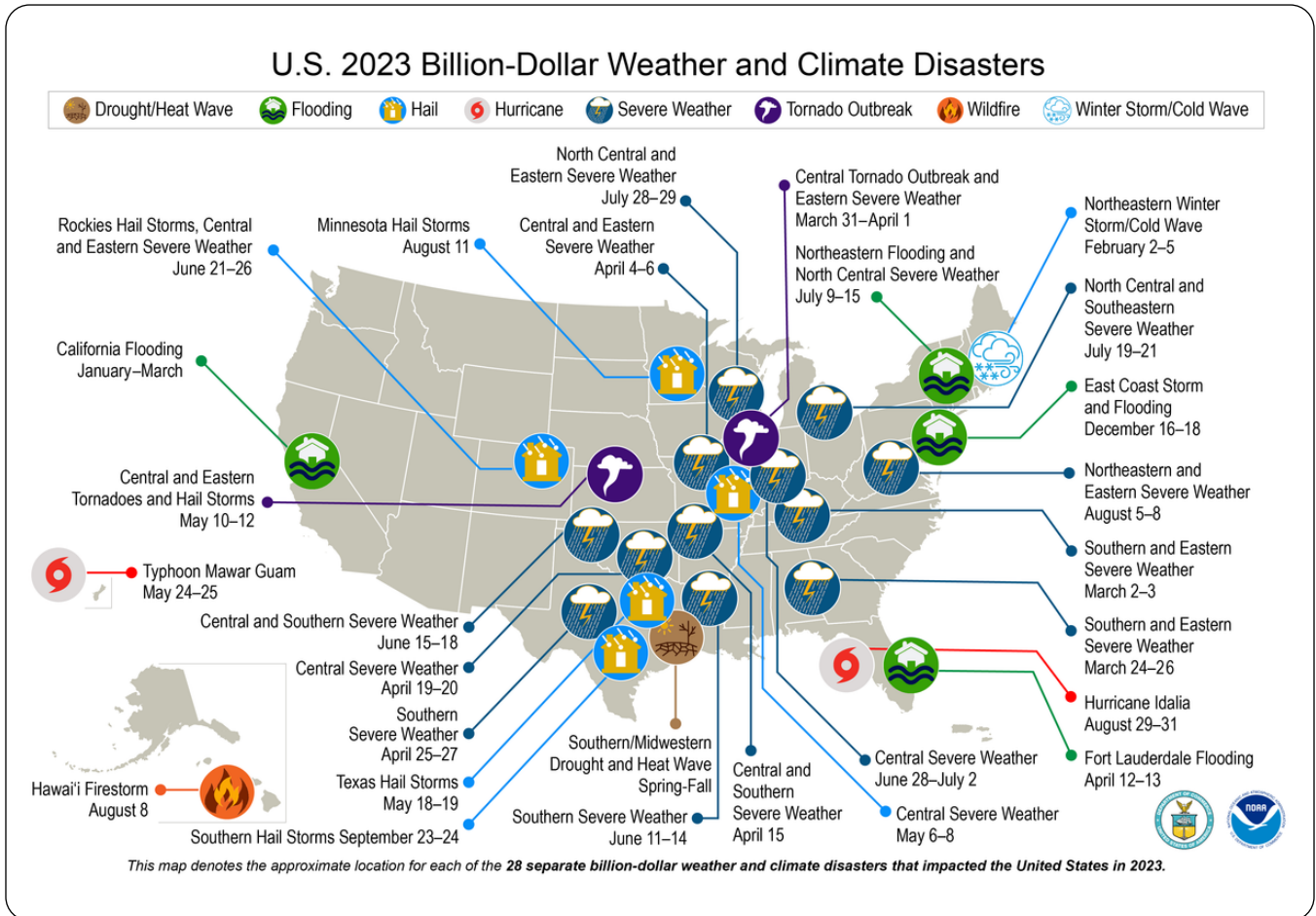
Multiple carriers have pulled out of the property insurance market in states with high exposures, particularly Florida and California, leaving insurance customers with fewer coverage options. [Insurance Business](#) says at least 15 property insurers in Florida have placed a moratorium on new business, and at least seven have been declared insolvent.



REINSURANCE

The reinsurance companies that insure insurance companies have raised their rates, a cost increase that is often passed onto policyholders. A Fitch Ratings analyst told [Reuters](#) that reinsurance rates are expected to continue to rise in 2024 before falling in 2025.

By the Numbers



+11.8%

Commercial property insurance rates increased by an average of 11.8% in the fourth quarter of 2023, significantly down from the 20.4% hike in the first quarter.

Source: [CIAB](#)

\$92.9 Billion

The 28 billion-dollar natural disasters that occurred in 2023 resulted in total losses of \$92.9 billion.

Source: [NOAA](#)

16 Million

Up to 16 million properties (homes and businesses) have a major risk of flooding in the next three decades but lack flood insurance.

Source: [ABC Owned Television Stations](#)

64%

A CIAB study found that 64% of survey respondents noted a decrease in commercial property underwriting capacity in Q4 2023, showing an improvement from when 85% said so in Q1.

Source: [CIAB](#)

Market Trends for Other Insurance Lines



CYBER

Cyber rates cooled in 2023, with rates only up 0.7% in the fourth quarter according to CIAB. However, cyber risks remain a serious threat. [Corvus](#) says ransomware attacks increased 95% over 2022, while the [National Cyber Security Centre](#) warns that AI will “almost certainly” increase the number of cyberattacks and their impact over the next two years.



LIABILITY

Social inflation and nuclear verdicts continue to drive up liability costs. Research from the Casualty Actuarial Society and the [Insurance Information Institute](#) found that social inflation increased commercial auto liability estimates by more than \$30 billion between 2012 and 2021, and the majority of this increase occurred in 2020 and 2021. CIAB says general liability insurance rates were up 3.8% in the fourth quarter of 2023, while umbrella insurance rates were up 7.6%.



D&O

After experiencing a hard market in recent years, D&O prices have fallen. CIAB says rates were down 0.3% in the third quarter of 2023 and up just 0.1% in the fourth quarter, compared to the peak increase of 16.8% seen in the third quarter of 2020.



WORKERS' COMPENSATION

Workers' compensation rates were down 1.8% in the fourth quarter, according to CIAB. [LexisNexis](#) says workplace violence has emerged as a key threat, accounting for the third-leading cause of fatal occupational injuries based on the most recent OSHA data. Medical marijuana and the lingering impacts of COVID-19 are other key issues.



EMPLOYEE BENEFITS

The [International Foundation of Employee Benefit Plans](#) says healthcare costs are expected to rise by 7% in 2024. Plan sponsors identified increased utilization due to chronic conditions, catastrophic claims, costly specialty prescription drugs and medical provider costs as the primary drivers. Recent research published in [JAMA](#) finds that health insurance premium growth has impacted wages and increased earnings inequality.

