

# Business



**Insurance rates remain elevated, but relief is in sight**

# Fluctuating Insurance Marketplace Continues to Present Challenges

**The challenging insurance market continues, but business owners will see premium relief in a few lines of coverage.**

The extreme weather events of 2022 continue to reverberate in the property insurance and catastrophe peril lines, where businesses can expect to pay 20% to 30% more for coverage. With disasters increasing in geographic scope and severity, more businesses are considering catastrophe peril coverage as part of their risk management strategy. But with underwriters increasing their scrutiny of exposures — and a lack of capacity in the marketplace — those purchasing CAT peril or parametric coverage can expect to pay more.

Commercial auto also continues to accelerate, albeit at a slower pace. Elevated claims frequency and the increasing cost of repairs are driving pressure on pricing, though supply chain bottlenecks felt during the pandemic have eased. Rates for most commercial fleets are expected to rise between 5% and 15% at renewal.

Elevated rates also persist in umbrella and excess lines, with social inflation and rising medical costs driving rates up 5% to 15% — though these rates have fallen from their 2020 peak.

Despite these challenges, businesses will see premium relief in some lines. Workers' compensation continues its reign as the most profitable insurance line, and many businesses will see rates hold or decline. Directors and officers (D&O) coverage, which was seen as troublesome coverage a few years ago, is also experiencing rate declines. Cyber, too, has significantly leveled out, with many businesses seeing little increase in rates and capacity, and more carriers once again offering robust coverage limits.

Creating an effective risk management strategy requires an understanding of fluctuations in the insurance market. HUB's Third-Quarter Rate Report provides detailed rate forecasts based on proprietary insurance premium data to help guide you through your 2024 insurance renewals.

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**20-30%**

*more for coverage.*

# Make a Plan

The insurance marketplace is improving, but owners and operators may still see elevated rates in many lines of insurance at renewal. To reduce your total cost of risk, take the time now to implement these best practices:



## **Start renewals early.**

For a traditional renewal, plan to start the process 120 to 150 days out. Be sure to provide carriers with detailed information on any upgrades to property or equipment, changes to organizational structure, newly identified risks and claims information. Failing to provide information could negatively affect your risk profile and lead to higher premiums.



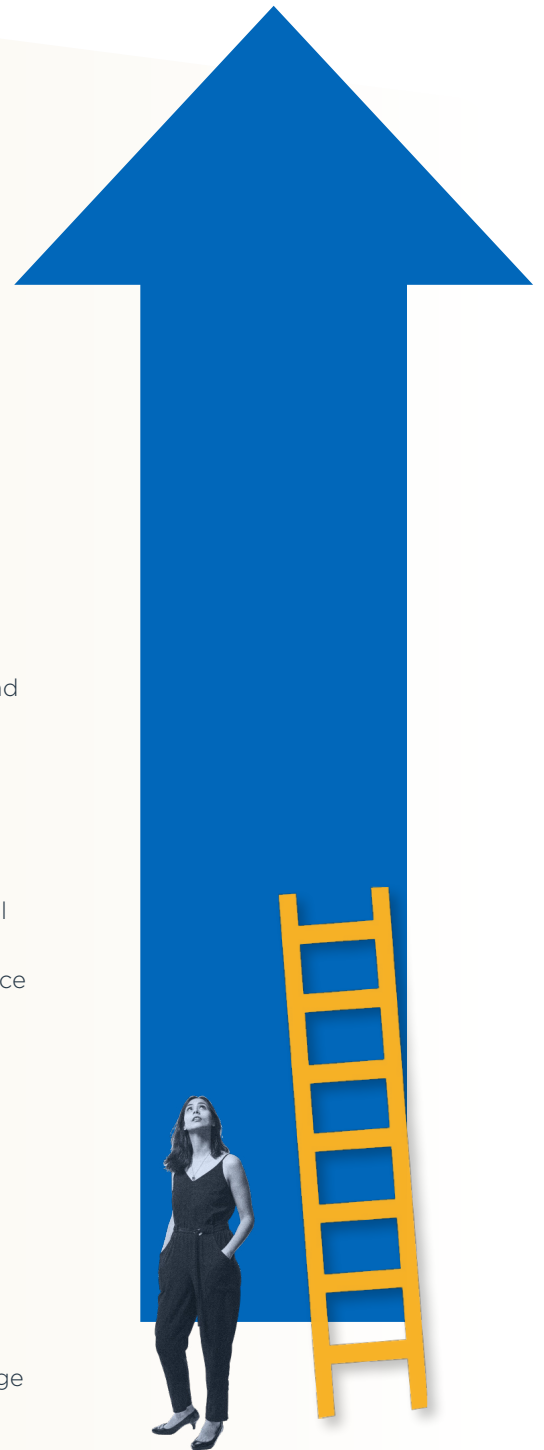
## **Improve the resiliency of your properties.**

Evaluate your property risks and consider technological upgrades to reduce exposures, such as water sensors, sump pumps, electrical backups and outdoor property improvements to reduce damage from wildfires, erosion and flooding. Completing a business insurance worksheet may provide a better picture of exposures and how they can be mitigated. Provide insurers with data that shows your properties are best-in-class risks and deserving of better terms and rates.



## **Review commercial auto exposures.**

Discuss strategies to reduce premiums with your broker, such as shouldering more risk by increasing deductibles or implementing technologies such as telematics. Be prepared to share your risk management program with underwriters to obtain the best coverage and pricing.





**Don't forget about cyber.**

Cyber is becoming increasingly more affordable, but don't become complacent. Be sure you are consistently training employees on how to identify scams, regularly upgrading protective tools and reviewing your incident response plan at least annually.



**Work in partnership with your broker.**

Always consult your insurance broker before purchasing a commercial building or building a new one, even in the concept development phase. It's essential to understand the risks and to leverage your risk advisors' experience to identify exposures and develop risk mitigation plans. Your broker can show how to make your properties more attractive during both the construction phase and for the lifetime of the asset, and find the right insurance with the best possible terms and price.



# Commercial Rate Outlook – U.S.

HUB International analyzes proprietary national survey data and interviews commercial insurance brokers and risk services consultants throughout North America each quarter to bring you our Third-Quarter 2023 Business Lines Rate Report for the U.S.

Discuss your business exposures with your HUB insurance broker to understand what to expect in advance of your next renewal.

Coverage	Q3 2023 US Commercial Rate Outlook	Insights
<b>Commercial Automobile: 5 Vehicles or Less</b>	↑ 5% to 15%	The market continues to see rate increases due to elevated claims frequency and severity. Companies with favorable loss experience will see better rates. Patient transport remains particularly challenging.
<b>Commercial Automobile: &gt; 5 Vehicles</b>	↑ 5% to 15%	Clients with larger vehicle fleets and deductibles and favorable loss experience will see single-digit rate increases at renewal since the bulk of losses are assumed within the deductible.  Although rate decreases may be seen in a few select situations, most fleets will see increases averaging 10%.
<b>General Liability</b>	↑ Flat to 10%	General liability rates are customer- and industry-specific, but most businesses will experience single-digit rate increases.  Insurers remain concerned about loss inflation outpacing rate trends, as well as the potential for increased legal costs in this line.
<b>Workers' Compensation</b>	↓ -5% to Flat	The workers' compensation market remains a profitable line and competition is mitigating any rate pressures.  However, due to inflationary pressure on wages, many businesses will see some premium elevation despite decreased rates.
<b>Umbrella &amp; Excess Liability</b>	↑ 5% to 15%	Excess liability claims rose 9% in the past year due to medical cost inflation and rising legal costs, but market conditions have improved since 2020.  New market entrants have increased competition for excess layers for companies purchasing larger limits.
<b>Package</b>	↑ 11% to 20%	Rate increases for package programs will likely be higher than standalone general liability placements because of the challenging property insurance market's effect on package programs.  Rates will vary based on industry- and business-specific loss experience, as well as the size of deductibles.

**Commercial  
Property**↑ 10% to 20%  
or greater

The commercial property market continues to present challenges to insureds. The majority of businesses will see rate increases in excess of 10%, with the level of CAT exposure, loss experience and valuation influencing rates.

Insurers remain focused on property valuation. While many businesses have “right-sized” their values, insurers continue to seek restrictive clauses (coinsurance, margin, occurrence limit of liability, etc.) when there is uncertainty in the accuracy of a schedule of values.

Engineering and loss control remain a major focus, especially on high value and key locations.

Loss-free clients with minimal CAT exposure and satisfactory valuations will experience more favorable renewal outcomes, with flat to less than 10% increases in rates. While there have been instances of rate decreases, those remain exceedingly rare.

**Residential/  
Habitational  
Property**↑ 20% to 30%  
or greater

Capacity remains scarce and most insurers are offering reduced coverage on shared and layered programs, particularly those with CAT exposures. Many residential clients that previously enjoyed single carrier programs are now being forced into shared and layered structures, which can increase rates by as much as 100%.

Some clients are electing to reduce limits or increase deductibles/retentions.

**Catastrophic  
Perils**

↑ 20% to 30%  
(for lesser  
tiers/zones)

↑ 30% to 50%  
(for high hazard  
tiers/zones)

While traditional CAT perils (flood, earthquake and windstorm) remain a concern, insurers are increasingly focused on exposures to severe and convective storms, wildfires and winter storms.

Challenging occupancies are seeing larger rate increases of 50% to 100% or more.

Single peril placements have become essential to isolate the CAT exposure or supplement the reduced CAT capacity offered within “All Risk.”

**Environmental**

↑ Flat to 5%

Rates for pure environmental coverages for clients with good loss history remain flat or slightly increased. Risks with other casualty coverages packaged with their environmental insurance are seeing rate increases up to 5%.

Businesses with claims severity or frequency are seeing increases commensurate with their losses.

Capacity remains abundant, with carriers continuing to build their environmental portfolios through competitive pricing.

**Directors & Officers:  
Private**

↓ -10% to ↑ 5%

The D&O Marketplace for private companies continues to improve. Insureds with no significant changes are seeing flat renewal premiums, or in some cases, premium decreases. Insureds with claims or significant exposure changes will see some premium increase.

Healthcare, education, oil and gas, cryptocurrency and cannabis continue to be challenging industries to place, and financially challenged accounts will struggle to find coverage.

Coverage	Q3 2023 US Commercial Rate Outlook	Insights
<b>Directors &amp; Officers: Public</b>	↓ -10% to Flat	<p>Public companies with favorable claims history and no major changes in leadership should see decreases — and sometimes significant reductions — in rate as the D&amp;O marketplace continues to improve.</p> <p>Insureds that have completed a transaction (IPO, merger, etc.) may see increased pricing.</p> <p>Capacity remains robust, with more appetite overall from carriers and increased competition.</p>
<b>Cyber Liability</b>	↑ Flat to 10%	<p>The cyber market improved considerably in the first half of 2023 following several difficult years.</p> <p>Despite an uptick in ransomware activity and cybercrime, as well as claim activity, rates should remain fairly consistent due to the increased level of competition in the market.</p> <p>Carriers are beginning to raise primary and excess capacity limits back to \$10 million.</p>
<b>Professional Liability A&amp;E</b>	↑ 5% to 10%	<p>Rates will rise 5% to 10% due to increased claim severity — particularly in California and Texas — due to continuing claims from condominium and bridge collapses. Civil engineering claim activity persists.</p>
<b>Professional Liability Medical Malpractice</b>	↑ 11% to 20%	<p>The majority of underwriters are still seeing loss ratios greater than 100%, with an industry average of 110%. Carriers remain cautious due to the elevated number of nuclear verdicts. Underwriters will carefully scrutinize risk portfolios and adjust rates accordingly to return to profitability.</p>
<b>Professional Liability Lawyers/Professional</b>	↑ 2.5% to 5%	<p>Rising defense costs and inflation are causing slight rate increases.</p>
<b>Professional Liability Misc. E&amp;O</b>	↑ 2.5% to 5%	<p>The increased demand for coverage, social inflation and increased defense costs will cause rates to rise.</p>

Industry	Q3 2023 US Commercial Rate Outlook	Insights
<b>Agribusiness</b>	↑ 20% or greater	<p>CAT exposure, loss experience and valuations are key considerations affecting rates. Underwriters are increasingly carving out actual cash value and undesirable properties from packages and pushing back on valuations. Expect inspections for frame/un-sprinklered structures on properties with total insurable value greater than \$20M per location.</p> <p>Primary casualty lines are seeing less pressure than in recent years, but excess casualty towers over \$10 million remain shared/layered, with some businesses facing shared/layered towers for excess policies as low as \$2 million.</p> <p>Managing fleet risk remains a crucial component for commercial auto renewal.</p>
<b>Cannabis</b>	↑ 1% to 5%	<p>Insurers remain focused on valuation. While many clients have “right-sized” their values, insurers continue to seek restrictive clauses (coinsurance, margin, occurrence limit of liability, etc.) if they question the accuracy of a schedule of values.</p>

## Industry

Q3 2023 US Commercial  
Rate Outlook

## Insights

**Construction**

↑ 10% to 15%

Engineering and risk control remain a focus for underwriters, especially on high value and key locations. Wildfire risks in the northwest and southwest U.S. have emerged as a rapidly growing concern for many carriers, which is being reflected in coverage limitations and increased pricing.

**Entertainment**

↑ 5% to 10%

While the event space is experiencing average rate increases of 5% to 10%, renewals for film accounts with no claims remain flat. Insureds can expect to see rate increases of 25% or more for abuse and molestation policies due to reduced capacity.

**Financial Institutions**↓ -10% to ↑ 15%  
(varies by sector)

In the private equity sector, M&A deal flow declined more than 30% year-over-year, which has driven rates down significantly and increased coverage availability in the transaction liability market. Executive lines coverage for private equity firms and their portfolio companies is relatively soft, with rates averaging flat to +10% for many firms.

In the banking sector, the overall rate environment remains stable. However, given the recent banking crisis, underwriters are taking a measured approach. Insureds can expect carriers to analyze the balance sheets of their banking clients on an individual basis and reject a broad-brush approach to underwriting D&O, bankers' professional liability and bonding for the community banking sector.

Last year's flooding in California, along with windstorms and flooding in Florida and on the eastern seaboard, have led to significant rate increases and reduced capacity in mortgage impairment and forced place coverage for lenders.

For the investment firm sector, carriers continue to recognize favorable claims experience with rate activity ranging from -10% reductions to flat.

**Healthcare**

↑ 10% to 15%

Nearly all lines of coverage in the healthcare industry are experiencing rate pressure, with the exception of workers' compensation. Rate increases will likely remain the norm due to significant loss experience in auto, malpractice, cyber and CAT-exposed property coverage.

**Hospitality**

↑ 10% to 18%

Property, liquor liability and umbrella coverages continue to experience rate pressure. Best-in-class accounts with risk management programs are faring better at renewal. Underwriter appetite has reduced for properties with loss experience or those located in CAT-prone areas.

**Nonprofit**

↑ 5% to 15%

Smaller, low-hazard nonprofits are seeing 5% to 10% increases.

Larger, more complex nonprofits — particularly those serving vulnerable populations — are seeing increases of 10% to 15% or more due to abuse and molestation claims activity and limited excess liability capacity.

**Industry****Q3 2023 US Commercial  
Rate Outlook****Insights****Real Estate**

↑ 15% to 20%

Real estate insurance is mainly driven by a lack of capacity in the reinsurance market during the first two quarters of 2023.

Rates are impacted by increased frequency and severity of natural catastrophes, rising replacement costs and significantly impaired dedicated reinsurance capital, which fell sharply following the weather events of 2022.

Best-in-class portfolios with complete underwriting data are likely to see smaller increases.

Portfolios that require catastrophic coverage, such as coastal wind, will have difficulty obtaining desired limits and face premium increases.

**Sports**

↑ 5% to 10%

While property and primary casualty rates are rising 5% to 10% in the sports space, insureds can expect to see rates jump 20% for excess coverage per \$1 million layer of coverage. Rates for professional coverages, including D&O and E&O, are rising 10% to 15%.

**Transportation**

↑ 5% to 10%

Trucking companies, which are already struggling with profitability, will face significant rate increases across the country, along with risk-selection restrictions and reduced appetite among large carriers.

However, insurtechs entering the marketplace are pricing aggressively, countering the actions of major insurers.

**NOTE: Rate** is typically defined as the amount of money necessary to cover losses, expenses, and provide an insurance company with a profit for a unit of exposure. **Exposure** refers to a business' or individual's susceptibility to various risks encountered daily. Carriers evaluate the level of risk an insured faces for calculating insurance premiums.

## HUB Business Insurance

When you partner with us, you're at the center of a vast network of experts who will help you reach your goals. For more information on how to manage your insurance costs, reduce your risk and take care of your employees, talk to a HUB business insurance specialist.

HUB by the  
Numbers

**\$37B+**

premium placed  
by HUB

**1.5M+**

clients

**3M+**

policies managed

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