HUB 2024

Outlook Q1 Rate Report

Sunny Days Ahead

2024 to Provide Rate Relief for Many Insureds

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Risk & Insurance | Employee Benefits | Retirement & Private Wealth

Businesses may finally experience a reprieve from years of continuously rising insurance rates in 2024. With insurance rates moderating in many lines of coverage, and some rates even declining, for many organizations the outlook is bright.

Unlike the rate hikes seen at the start of 2023 in response to the uncertainty over the losses insurers would incur from destructive Hurricane Ian and the 2022 Christmas "bomb cyclone," rates largely remained stable at the start of 2024, and most buyers will be able to procure the insurance coverage they need.

In stark contrast with the prior year, when reinsurers substantially raised premiums and worsened coverage terms for most insurers, this year's January reinsurance renewals showed stabilization. Even property insurance rates — which skyrocketed in early 2023 — stabilized in the first quarter of 2024.

For most policyholders throughout North America, rates will increase slightly for property, commercial auto, general liability and umbrella policies. Those with a favorable claims history and strong risk management program may receive minimal rate increases to flat renewals on those lines. On the other hand, many insureds may see rate decreases for workers' compensation, directors & officers (D&O) and cyber coverage.

Hazy conditions remain for CAT risks

But trouble spots remain. Businesses with exposure to catastrophes (CAT) such as hurricanes, wildfires, earthquakes and severe/convective storms may struggle to find enough insurance and will pay a premium for coverage. Although insurance losses from man-made and natural catastrophes declined 23% in 2023 compared with the prior year, insured losses from the Maui wildfires in August may climb as high as $3.5 billion, and two of the most severe thunderstorms ever recorded[1] in the U.S. cost insurers about $12 billion.[2]

Those losses, coupled with inflation that has increased the cost of insuring risk, have made underwriters less willing to take on new risky accounts, particularly businesses in locations with a large concentration of high-value properties. In addition, few new insurers are interested in insuring these types of exposures.

Insurers with risk-exposed properties in Canada may also face difficulties finding sufficient coverage. Canada experienced its fourth-worst year of natural catastrophe insured losses in 2023, and insurers are expected to pay as much as CAD 3.1 billion in losses.[3] Similar to the U.S., these events have driven up the cost of coverage for catastrophe perils, as well as CAT-exposed properties, in 2024.

Fortunately, other affordable options for insureds exist, such as parametric insurance coverage and captive insurance solutions to finance property risks.

Although a significant CAT event could change the course of the insurance market, today the outlook for 2024 is bright. Organizations that properly manage their risk and embrace creative strategies for insuring against losses can expect sunnier days ahead.

1. The Wall Street Journal, "U.S. Saw Record-Breaking Thunderstorm Damage in 2023," January 9, 2024.
2. Munich RE, "Record thunderstorm losses and deadly earthquakes: the natural disasters of 2023," January 9, 2024.
3. The Insurer, "CatIQ: Canada faced fourth-worst nat cat insured loss year in 2023," January 8, 2024.

Make a plan

The insurance market may look rosy, but maintaining a strong risk management strategy remains imperative for building organizational resilience and vitality.

To reduce your total cost of risk, take the time now to implement these best practices:

- **Educate yourself on the insurance marketplace.**
  HUB's proprietary First Quarter 2024 Rate Report provides the latest information on rates and exposures for each insurance line and a wide range of industries. This information will help you and your broker prioritize risk and mitigation measures.

- **Research your insurers.**
  Look into the insurers providing you with coverage. Do they have a good reputation? Are they fiscally sound? Dozens of insurance carriers — particularly those in CAT-exposed states like Florida and California — have folded, leaving policyholders in a lurch. Heed the old adage, "You get what you pay for," and seek out top-rated carriers for coverage — your broker can point you to the best.

- **Review your risk management plan.**
  The first quarter of the year is an ideal time to review your risk management program and evaluate its effectiveness. Take this time to look at enterprise-wide risk and how your insurance program is protecting you against exposures, including CAT risks. HUB's risk and insurance experts can provide the guidance you need to protect against today's risks and prepare your organization for the future. Call HUB, we're here to help.

Rate Outlook

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 First Quarter 2024 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	Q1 2024 — US Commercial Rate Outlook	Insights
Commercial Automobile (5 or fewer vehicles)	↑ 5% to 15%	Increasing accident severity and high vehicle repair costs due to continued supply chain delays and inflation are putting pressure on auto liability. Private passenger and lighter-vehicle fleets with good loss experience should see rate increases at the lower end of the range, or possibly under 5%.
Commercial Automobile (6 or more vehicles)	↑ 5% to 15%	A number of challenging factors are contributing to elevated auto liability insurance rates. Since the pandemic, accidents have been increasing in frequency and severity, with an elevated number of intoxicated driving, road rage and speeding incidents contributing to the problem. In addition, the rate of litigation continues to climb with larger verdicts and settlements being handed down. Clients should highlight all investments made in vehicle safety, including telematics, driver training and other safety initiatives, and be prepared to answer questions about driver tenure and turnover, the average age of drivers, vehicle weights and radius of operations.
General Liability	↑ Flat to 7%	General and product liability rates can vary significantly by client industry and level of deductibles and limits, but the line is more stable than it was between 2020 and 2022. Underwriters are paying more attention to levels of legal costs than indemnity claims and how those legal costs are treated in the deductible or retention. Clients with good loss experience will see flat to modest rate increases, although decreases may be possible in certain circumstances.
Workers' Compensation	↓ -3% to ↑ +3%	Workers' compensation remains the most profitable line for insurers, and multiline carriers may continue to improve rates to offset increases in other casualty lines such as auto. Most clients will experience flat renewals or see slight decreases or increases. Those with severe loss experience may see modest rate increases.
Umbrella & Excess Liability	↑ 5% to 15%	After hitting a high point in 2020, umbrella and excess liability rates decreased in 2021 and 2022. However, insurers are raising rates again, particularly for clients with large vehicle fleets. Recent large verdicts against transportation companies that exceeded the truckers' policy limits and fell back to the manufacturer have caused great concern about contingent auto exposure. With the frequency of litigation and the size of settlements continuing to grow, expect more questions from underwriters about contractual risk management practices and the limits required of outside parties.

Rate Outlook

Coverage	Q1 2024 — US Commercial Rate Outlook	Insights
Package	↑ 5% to 10%	Package underwriters will look at the lines included in the package and the individual factors affecting those lines. Rates are likely to be moderate for clients without significant auto liability exposure.
Commercial Property	Flat to ↑ 10%	The property market is showing signs of stabilization after a prolonged hard market for the past 5+ years. Reinsurance treaty renewals are more orderly, but terms and attachment points remain similar to 2023. Inflationary factors are also easing, reducing the pressure on year-over-year renewal values and stabilizing the rating base further for client renewals. Much like rate activity, insurers feel that most clients have adjusted their values to sufficient levels after years of scrutiny, but will continue to focus on this to ensure sufficient valuation.
Residential/ Habitational Property	↑ 7.5% to 10% for high grade commercial ↑ 10%+ for more challenging risks	Available capacity and renewal rates will depend heavily on the type of real estate risk. Construction type, degree of CAT exposure and loss activity will be the key determining factors of rate.
Catastrophic Perils	↑ 10% to 18% for lesser tiers/zones ↑ 20%+ 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. In many cases, single peril placements have become essential to isolate the CAT exposure or supplement the reduced CAT capacity offered within "All Risk" policies.
Environmental	↓ -10% to ↑ +5%	Environmental risk rates are relatively stable, though they are increasing slightly in certain situations. Exclusions for PFOAs and related conditions are making renewals challenging. Environmental coverage, when packaged with other casualty lines, remains steady, but increases may appear in excess costs due to underlying auto exposure.
Directors & Officers: Private	↓ -10% to Flat	Strong competition between carriers for new and existing business continues, and clients can expect flat to decreased rates at renewal. Claims activity and an increase in exposures can cause premiums to rise. Improvements in D&O coverage are more widely available in the market.
Directors & Officers: Public	↓ -10% to Flat	Rates remain favorable in the public D&O marketplace due to plenty of capacity. Clients coming out of the three-year IPO window should see a significant reduction in rates. Overall, we are still seeing softness in the market, specifically in IPO pricing.

Rate Outlook

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Cyber Liability	↓ -10% to Flat	Significant competition continues in the Q1 2024 cyber market, and incumbents are aggressively attempting to retain business. Renewals are routinely coming in flat, or with an initial decrease on certain accounts. However, carriers have not relaxed requirements regarding cybersecurity controls.
Professional Liability: A&E	↑ 2.5% to 5%	Defense cost inflation and increased claim severity are straining A&E insurers. Claims that were $1M five years ago are $5M claims today, causing rate pressures and reduced limits.
Professional Liability: Medical Malpractice	↑ 5% to 10%	While rates will vary by region and state, higher jury awards are negatively impacting pricing and carrier balance sheets.
Professional Liability: Lawyers/ Professional	↑ 2.5% to 5%	Rising defense costs and inflation are causing slight rate increases.
Professional Liability: Misc. E&O	↓ -1% to Flat	Underwriters are beginning to seek new Miscellaneous E&O opportunities. Clients in real estate-related businesses, where limits are carefully controlled, can expect underwriters to remain cautious, especially for Contingent BI/PD.

Industry Perspective

Business	2024 Rate Outlook	Insights
Agribusiness	↑ 11% to 20%	Rates will remain elevated for property into 2024 due to CAT exposures and high total insurable value straining capacity (both insurer and reinsurer), as well as underwriting risk tolerance. Clients are likely to see increasing deductibles on property and auto renewals. However, there's cautious optimism that capacity will increase later in 2024. Increased stabilization in management liability lines and decreasing workers' compensation loss costs will offset some of the rate increases on property, auto and general liability.
Cannabis	↑ 1% to 5%	The insurance rates for the U.S. cannabis industry vary significantly due to the federal illegality of marijuana, historically resulting in higher premiums. However, as more states legalize cannabis, certain business segments, like product liability, may see decreasing rates. Other lines, such as property and CAT coverage, may experience elevated premiums. The evolving legal landscape and increased understanding of industry-specific risks are highlighting the importance of assessing risks on a case-by-case basis. In the long term, as the cannabis market matures and regulations standardize, it is expected that insurance rates will gradually stabilize across different industry segments.
Construction	↑ 5% to 10%	Rates will vary by line of business and subclass. For most clients, property rates will increase by 10% or more, particularly for CAT-exposed risks. However, liability rates for many construction classes will continue to moderate and may begin to stabilize in the latter half of 2024, with the exception of auto lines. Auto liability remains the most challenging line for most insureds, with no clear relief in sight for 2024.
Entertainment	↑ 5% to 15%	Reinsurance costs continue to influence the market, and entertainment insurers are decreasing limit offerings and coverages such as liquor liability and abuse & molestation. Live events attendance is back to pre-pandemic conditions — and since the writers' and actors' strikes have been resolved — film, TV and streaming are growing.
Financial Institutions	↓ -5% to ↑ 5% (varies by sector)	Reps and warranties insurance rates will remain at historic lows — between 2.3% and 2.7% of the limit of liability purchased — for the foreseeable future unless M&A volume increases dramatically. Retention for middle market deals with enterprise values of between $50 million and $500 million are consistently 40 to 70 basis points, dropping to less than 50 basis points 12 months post-closing. The M&A tax insurance market remains extremely competitive — it's a buyer's market. Clients will see premiums at all-time lows, with placements at 2% to 3% of the policy limits versus 4% to 6% two years ago.
Healthcare	↑ 10% to 15%	The healthcare industry is seeing rate pressure from nearly all lines, with the exception of workers' comp. Continued large losses from auto, miscellaneous professional liability and CAT-exposed property coverage are the leading factors for the rate increases.

Industry Perspective

Business	2024 Rate Outlook	Insights
Hospitality	↑ 5% to 10%	Property will have some stabilization in 2024, but hospitality accounts are most often modeled for rates. CAT-prone areas will see property increases. Casualty lines are tightening; clients should expect more underwriting questions on safety, risk management and the culture of the operation.
Nonprofit	↑ 5% to 15%	Property is one of the driving factors for overall increases, with carriers focused on inflationary replacement cost values, which can have a significant impact on premium. Catastrophic limits for wind, hail, flood and wildfire are being reduced and premiums are much higher in the open market. Social inflation of liability, auto and abuse claims continue to plague the segment. Carriers are reducing umbrella limits, leaving clients with expensive and extremely limited options for protection. Workers' compensation, nonprofit D&O and cyber rates have stabilized, providing some relief to more challenging lines of business. Smaller, low-hazard nonprofits are seeing 5% to 10% increases. Larger, more complex nonprofits are seeing 10% to 15% increases.
Real Estate	↑ 15% to 20%	Rate hikes will slow from 5% to 25% across most commercial real estate insurance lines due to the respite from large catastrophic losses in the third and fourth quarters of 2023. Rate trends will depend significantly on property type, location and risk profile. Some insurers are pricing more aggressively, and if reinsurance pricing stabilizes, rate increases might moderate compared with 2023. However, pressure to underwrite to 2023 replacement valuations remains, and will add to premium increases. Loss history and risk management practices continue to be significant rate factors. Implementing and demonstrating proactive measures can potentially lower premium. A lack of retrofit details (roof, pipes, electrical) will increase premium.
Sports	↑ 5% to 10%	Property and liability coverages 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, 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. As a result, the insurance marketplace for the transportation industry is likely to remain volatile.

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's or individual's susceptibility to various risks encountered daily. Carriers evaluate the level of risk an insured faces in calculating insurance premiums.

About HUB

When you partner with HUB, you're at the center of a vast network of experts who will help you improve your profitability, enhance the vitality of your workforce and remain resilient into the future. For more information on how to manage your insurance costs, reduce your risk and take care of your employees, talk to a HUB advisor. We're here to help.

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