

HUB 2024

# Outlook Q3 Rate Report

## Take Advantage of Stable Rates: Prepare Your Business for the Future

Rates are expected to remain steady — but organizations need to stay focused on risk management to avoid losses from business interruption



Risk & Insurance | Employee Benefits | Retirement & Private Wealth



Business insurance rates are likely to remain stable through the remainder of 2024, with the notable exceptions of organizations located in catastrophe-prone (CAT) areas and those with a poor claims history or loss control challenges. Rate hikes have moderated across many lines of coverage; increases are far more manageable than hikes during the last few years. In line with the trend from earlier in the year, some may see rate decreases for workers' compensation, directors & officers (D&O) and cyber coverage.

With rates remaining relatively stable across most lines, businesses should turn their attention to managing uncertainty and the impact of business disruption. Recent global events — ranging from the CrowdStrike IT outage to Hurricanes Beryl & Debby to campus protests — will not only have far-reaching consequences on insurances rates, but also on how organizations prepare for a halt to their operations.

Organizations who have taken the time to develop a strong business interruption plan and who conduct a thorough simulation exercise to identify gaps or areas to improve will fare much better, not only from a preparation standpoint but also in securing the most favorable rates. These in-depth simulations can be conducted with your broker who can help strengthen your plans and provide guidance on ways to actually be prepared versus just thinking you're prepared.



## Disruptive Weather Fuels Business Disruption

As noted in [HUB's Mid-Year 2024 Rate Report](#), the impact of severe weather and natural disasters is the biggest concern for insureds. Wildfires in Western Canada and the U.S., severe flooding in the Midwest, damaging convective storms and the ongoing hurricane season in the Southeast and Gulf Coast will continue to drive premiums northward.

[Captive solutions and parametric coverage](#) are viable options to obtain coverage in these catastrophe-prone regions. Creativity, flexibility and thoughtful planning will help those who are exposed to hurricanes, wildfires, earthquakes and convective storms.

## The Growing Risk of Business Interruption

A recent survey of 3,000 risk professionals listed business interruption as their second-greatest risk concern (behind cybercrime). It wasn't just weather and natural disasters that worry them: They also cite cyberattacks, man-made disasters, geopolitical instability, civil unrest and the impact of Artificial Intelligence (AI) as major areas of

concern.<sup>1</sup> No matter where it's located, there's a strong likelihood that one of these events will temporarily sideline your business.

A risk management plan and coverage to insure against losses are essential elements to minimizing the effects of business interruption. Given the increased frequency and severity of events that can disrupt business operations, it's critical to reassess the duration of your BI coverage, as a standard 12 months is proving to not be sufficient following major weather events.

While rates for the remainder of 2024 are likely to remain stable, businesses still must remain vigilant when managing their risk and should look for creative solutions for additional coverage as they begin planning for 2025 and beyond.

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<sup>1</sup>PropertyCasualty 360, "[Business interruption risks continue in 2024](#)," March 4, 2024.

# Make a Plan

Maintaining a strong risk management strategy remains imperative for building organizational resilience, for enhancing profitability and maintaining the vitality of your workforce.

To reduce your total cost of risk, consider the following best practices as your next steps:



## **Educate yourself on the insurance marketplace.**

HUB's proprietary Third 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.



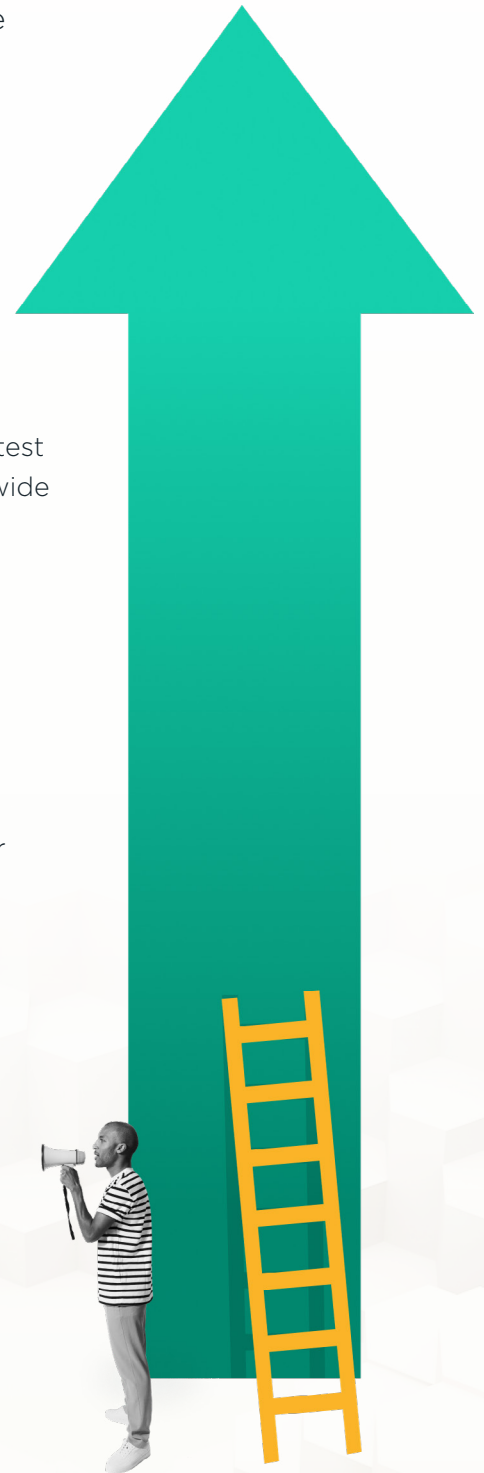
## **Research your insurers.**

Know who is 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. Seek out top-rated carriers for coverage, not just the least expensive — your broker can point you to the best for your particular needs.



## **Review your risk management plan.**

There is no time like the present to review your risk management program, with a particular focus on business continuity and disaster recovery plans. Take the opportunity now, ahead of 2025 planning, to look at enterprise-wide risk and how your insurance program is protecting you against exposure, including CAT risks. HUB's risk and insurance experts can provide the guidance you need to protect your business against today's risks and be ready for tomorrow.



# Rate Outlook

HUB International's rate guidance comprises an analysis of proprietary national survey data and interviews with HUB commercial insurance brokers and risk services consultants who specialize in all industries throughout North America.

U.S. commercial insurance rates for middle to upper middle market companies increased an average of 6.9% during Q3 2024, but rates will remain stable and likely begin to soften through year-end 2024 barring any major catastrophic event. Certain lines—such as commercial auto, general liability, property, excess/umbrella and D&O—saw significant variations. Overall, rates are expected to ease throughout the rest of 2024 and insureds should continue to focus on risk management to maximize the benefits of any market softening. It is important to discuss your unique business' exposure with your insurance broker and understand what to expect well in advance of your next renewal.

Coverage	U.S. Rate Guidance	Insights
<b>Commercial Automobile: One to five vehicles</b>	↑ +5% to 10%	Auto insurance remains difficult in terms of pricing and placement. For coverage on physical damage, carriers are likely to seek a higher deductible, rate increase or both.
<b>Commercial Automobile: Six or more vehicles</b>	↑ +5% to 10%	Loss trends are increasing, and carriers are seeking rate increases as a result. There is more flexibility with loss-sensitive or deductible programs; some carriers may offer more attractive terms in a multiline primary casualty program that includes workers' comp. For larger fleets, umbrella carriers are typically requiring a primary limit of at least \$2 million.
<b>General Liability</b>	Flat to ↑ +10%	Property-casualty insurance is expected to be profitable, so the overall trend in GL is stable. Carrier positions vary, and results may be different where warranted by loss experience or program design, but most clients will see modest rate increases.
<b>Workers' Compensation</b>	↓ -3% to ↑ +3%	Workers' compensation remains highly profitable, but reinsurers are concerned that the increase in claim severity spells trouble ahead. Increased workplace violence and classification of workers as either employees or independent contractors are possible factors in rate changes.
<b>Package</b>	Flat to ↑ +10%	Insurance packages tend to be more stable because of the bigger pot of premium, with one carrier offsetting losses on any one line.

# Rate Outlook

Coverage	U.S. Rate Guidance	Insights
<b>Umbrella &amp; Excess Liability</b>	Flat to ↑ +10%	Rates are moderating for most clients and with more market competition for higher layers, there are some rate reductions. Most increases are in the single-digit range; but for clients with more severe loss experience or large auto fleets, increases may be more significant.
<b>Commercial Property</b>	↓ -10% to ↑ +5%	Results reflect market recovery and depend heavily on account metrics (occupancy, business class, loss control, CAT exposure, claims history, etc.). Accounts that are being non-renewed by incumbents, particularly single carrier placements, are still seeing less favorable results in the form of larger rate increases and/or increased deductibles/retentions.
<b>Residential/Habitationl Property</b>	↓ -5% to ↑ +5%	While rates continue to improve, frame residential risks are still facing many challenges in the marketplace. Larger programs with more significant premiums are seeing a greater interest from the market, which offers a greater potential to restructure.
<b>Catastrophic Perils</b>	↓ -10% to ↑ +5%	While many insureds have seen rate relief for catastrophic perils, there are exceptions, especially the Wind and Earthquake exposed accounts that have seen drastic run-ups in rates and premiums during the hard market cycle. While Severe & Convective Storm and Wildfire continue to be significant concerns for underwriters, there is still a major focus on the current Atlantic Wind Season which is forecasted to be above average. Hurricane Beryl in July was the strongest June/July Atlantic Basin Hurricane on record.
<b>Environmental</b>	↓ -5% to ↑ +10%	With new carriers competing for business, contractors' pollution liability and site pollution rates are moderating. PFAS remain a hot topic of conversation. Packaged GL/Pollution rates remain steady with a few tougher classes seeing rate increases of 5% to 10%. Some carriers are limiting excess capacity coverage while others are exiting the market.
<b>Directors &amp; Officers: Private</b>	↓ -10% to ↑ +5%	Capacity between carriers for private D&O placements remains strong. Underwriters are aggressively cutting premiums, giving automatic renewals and awarding two-year policies to maintain business.

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<b>Directors &amp; Officers: Public</b>	↓ -10% to ↑ +5%	D&O insurance for public companies remains highly competitive. There is plenty of capacity and underwriters remain aggressive. Terms and conditions remain favorable for insureds.
<b>Cyber Liability</b>	↓ -10% to Flat	Premiums for cyber liability insurance expected to continue to fall. Breaches and outages of significant service providers (i.e., breaches at Change Healthcare and CrowdStrike) haven't led to rate hikes yet but may point to harder market conditions in 4Q 2024 and first half of 2025.
<b>Professional Liability: Architects &amp; Engineers</b>	Flat	Carriers are being somewhat aggressive in seeking business despite increases in the cost of claims. Underwriters are seeking firms with favorable loss records and a focus resulting in lower hazards.
<b>Professional Liability: Medical Malpractice</b>	↑ +5% to 10%	The frequency and severity of claims continue to have a direct impact on overall pricing. Nuclear verdicts and overall uncertainty are also pushing rates upward.
<b>Professional Liability: Misc. Errors &amp; Omissions</b>	Flat	While rates remain flat overall, some classes such as appraisers and collections agents face a tougher rate environment and limited capacity. Meanwhile, E&O rates for consultants, real estate and trustees remain competitive as underwriters compete for their business.

# Industry Perspective

Business	U.S. Rate Guidance	Insights
<b>Agribusiness</b>	↑ +10% to 20%	In most Agribusiness categories, rate increases persist (property insurance rates represent an exception). Underwriters have been “stair-stepping” rates, while requiring higher deductibles and asking insureds to shoulder more risk at renewal. Excess casualty coverage remains a pressure point, as carriers are offering lower primary limits and dropping “burn layers” into excess towers.
<b>Cannabis</b>	↓ -5% to Flat	Each type of cannabis operation (growing, processing, retail) is different, but generally there has been a slight reduction in rates, and a further decline in the amount of limits being purchased. This is particularly true for mature markets at renewal.
<b>Construction</b>	Flat to ↑ +10%	There has been some rate relief since Q1 for builder’s risk coverage as capacity has increased. However, a bad hurricane and storm season, in addition to other catastrophes, could result in a difficult insurance environment overnight.
<b>Education</b>	Flat to ↑ +15%	Property rates in the education space are moderating but deductibles are increasing, particularly for certain perils such as losses related to freezing temperatures. Claim uncertainties due to social inflation continue to drive rate and coverage changes. E&O premiums continue to rise due to the number of claims involving multiple institutions and uncertainty over pricing and retention adequacy.
<b>Entertainment</b>	↑ +5% to +10%	Expected rate increases for production and live events. Live events are returning to nearly pre-pandemic numbers, especially for festivals and tours, and insurers are being judicious when offering high limits and requiring detailed loss control. TV and movie production have been slow to ramp up after the writers’ and actors’ strike last year, and some productions have reduced budgets.
<b>Financial Institutions</b>	↓ -5% to ↑ +5%	Rates for reps and warranties (R&W) and tax liability policies remain soft, with plenty of competition. However, contingent liability and judgment preservation insurance has tightened significantly, with several large losses affecting pricing and availability.
<b>Healthcare</b>	Flat to ↑ +10%	On average, rates are flat to increases of 10%, with factors such as venue and claim experience resulting in rates outside this range. Nuclear verdicts remain a major concern, with many carriers paying out more in claims than receiving in premium income.

# Industry Perspective

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<b>Hospitality</b>	Flat to ↑ +10%	Property rates in hospitality are cooling but rates for casualty risks remain difficult. Capacity in the hotel segment is decreasing due to human trafficking litigation and liquor liability are pressuring rates in most areas. Umbrella and excess rates are increasing due to the same underlying factors, while Workers' Compensation, cyber and management liability rates are flat.
<b>Nonprofit</b>	↑ +5% to 15%	Property rates have stabilized but premiums are catching up to increased property valuations. Social inflation of liability claims continues to be a challenge particularly for abuse and molestation. Carriers continue to reduce excess capacity with limited or costly options available.
<b>Real Estate</b>	↑ +5 to +10%	Underwriters are not competing for frame residential risks on a primary basis. On large portfolios, there have been double-digit reductions on the property perils excess of probable maximum loss coverage. Shopping centers remain difficult to insure, while rates are competitive for high rises and warehouses.
<b>Sports</b>	↑ +5% to 15%	While GL rates have stabilized for national governing body and association risks, insureds with loss activity will feel more pressure on rates in addition to Excess lines. In the intercollegiate athletic sector, accounts with losses could see rates up 25% or more. Expect flat rates for motorsports event coverage.
<b>Transportation</b>	↑ +7% to 12%	Rate increases will continue across the board. Rates are rising 3% to 8% for companies with good claims history. But rates for operations with one or more negative underwriting characteristics will rise as much as 25%. There is competition for new business; pricing below expiring rate to acquire business.



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