

PERSONAL PROPERTY & CASUALTY MARKET UPDATE:

# NAVIGATING HARD MARKETS



# Personal Risk Leadership

USI's personal risk leadership team brings together broad and deep industry knowledge with superior account execution.



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Cliff focuses on developing customized risk management solutions for individuals who have a need and desire to protect their most valuable assets. Cliff draws on his expertise and significant knowledge of the personal insurance market to develop strategies to mitigate risk for his clients.

# What is a hard market?

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## hard market

A hard market is the upswing in the insurance market cycle, when premiums increase, coverage terms are restricted, and capacity for most types of insurance decreases.

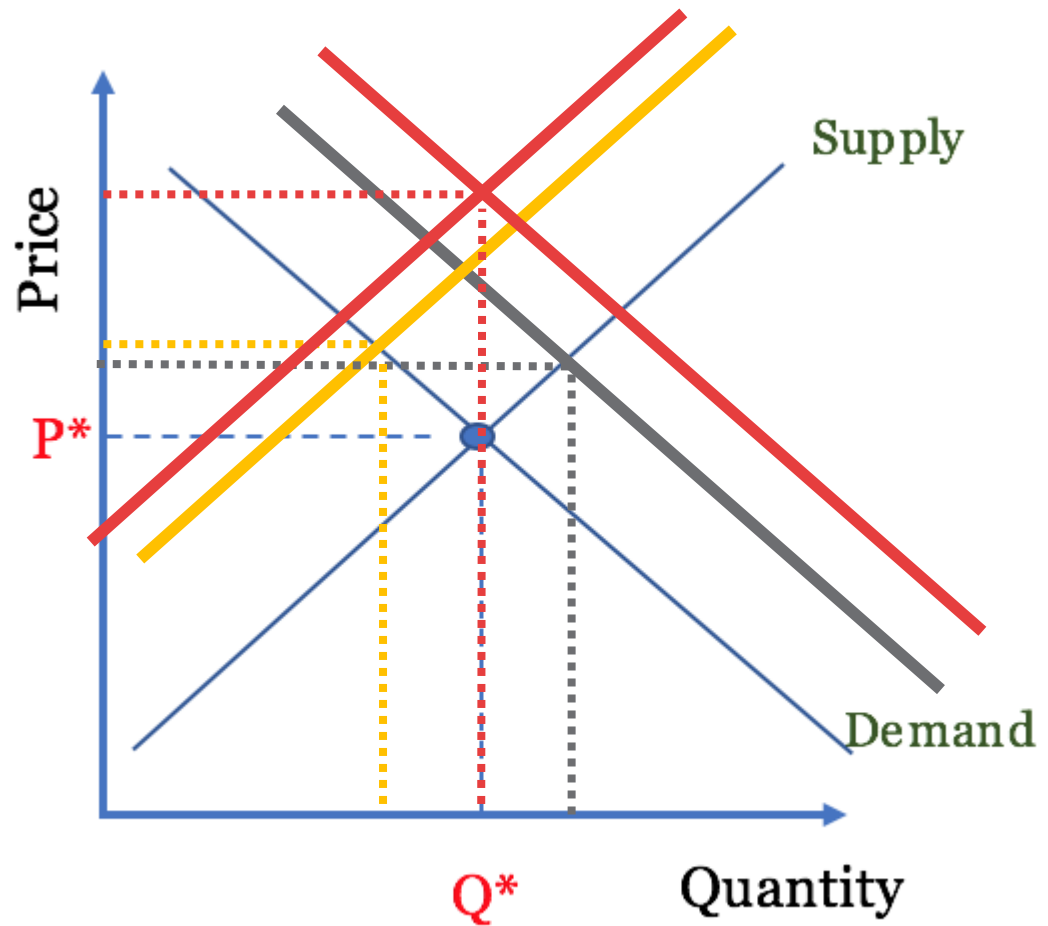
<https://www.irmi.com/term/insurance-definitions/hard-market#:~:text=A%20hard%20market%20is%20the,most%20types%20of%20insurance%20decreases.>

What is causing the premium increases?

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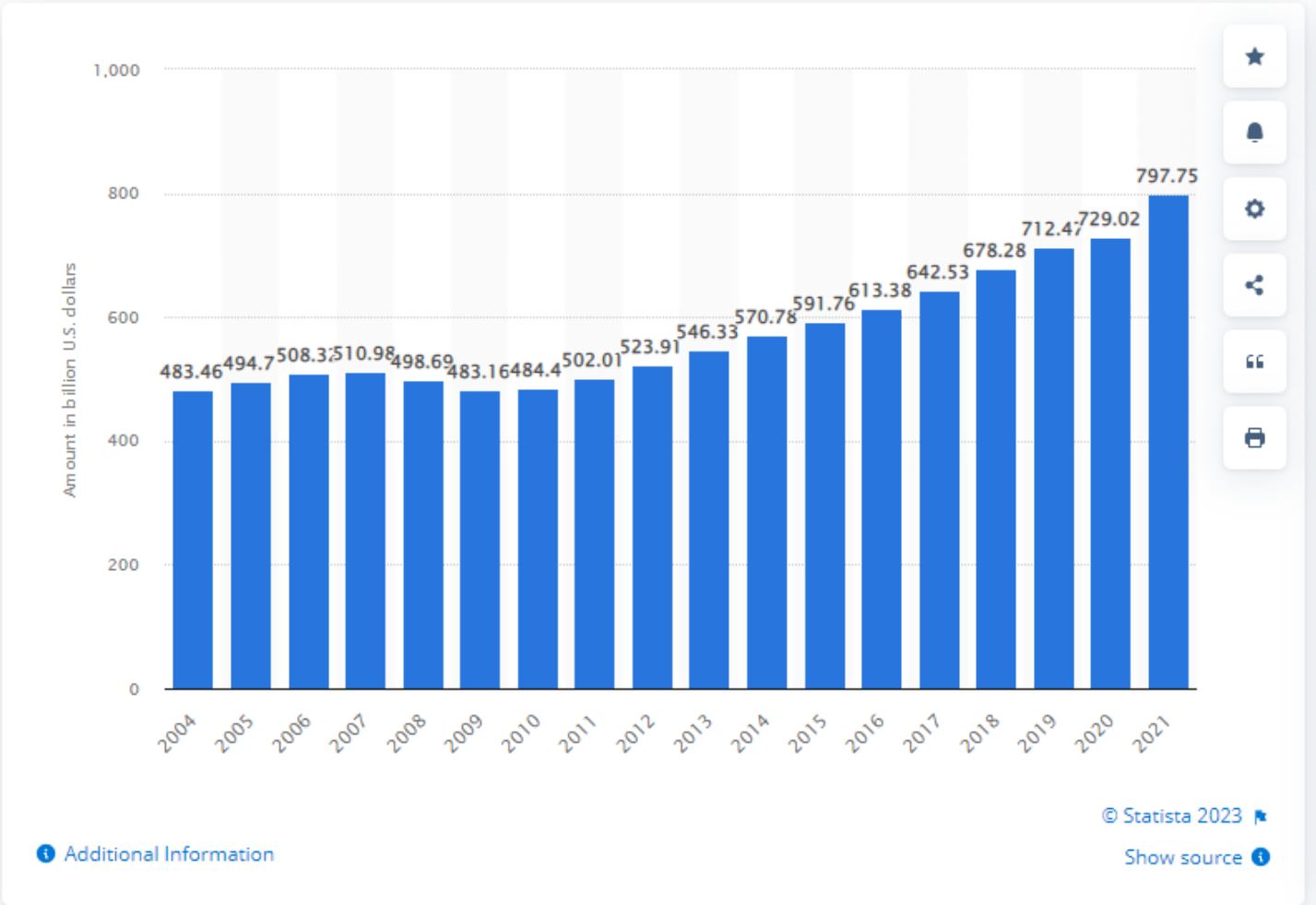
# Causes of Premium Increases

Demand Increases  
&  
Supply Decreases



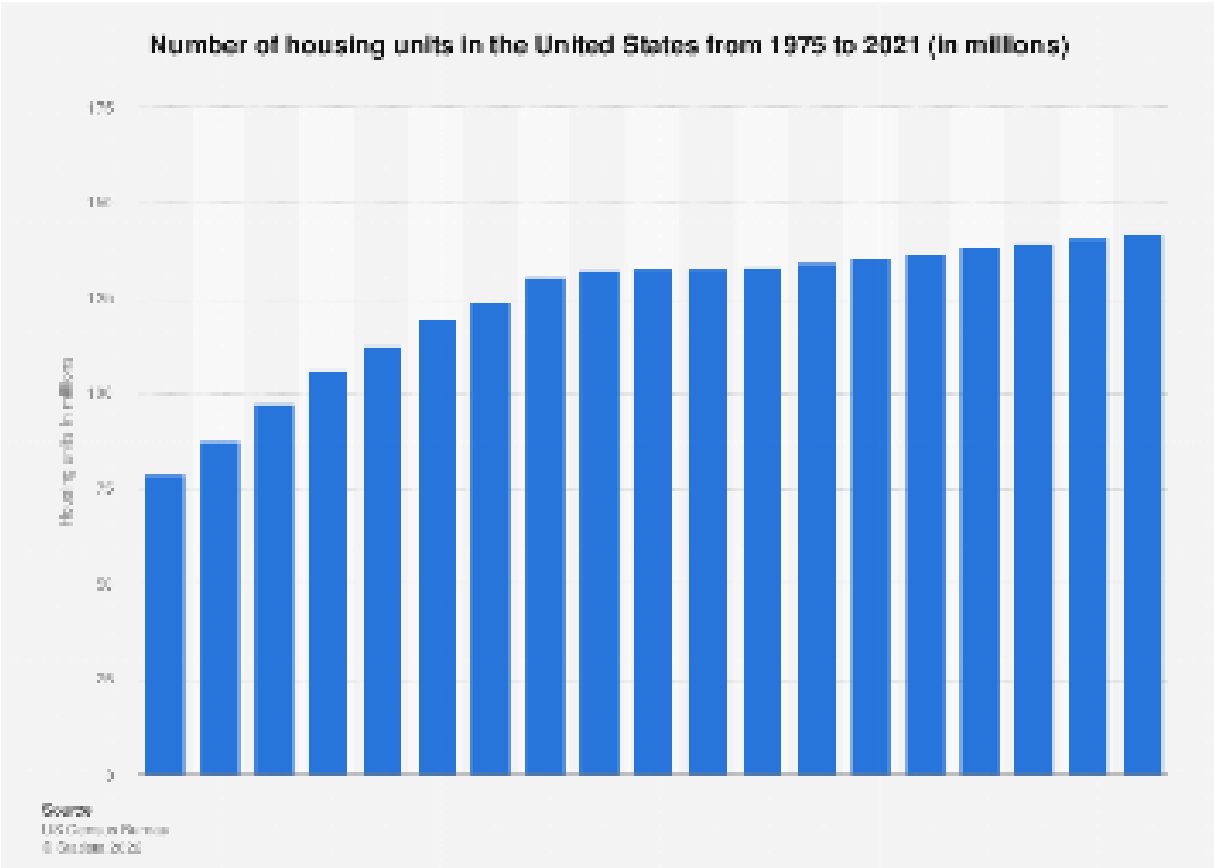
# Demand is always growing.....

Direct premiums of property and casualty insurance in the United States from 2004 to 2021

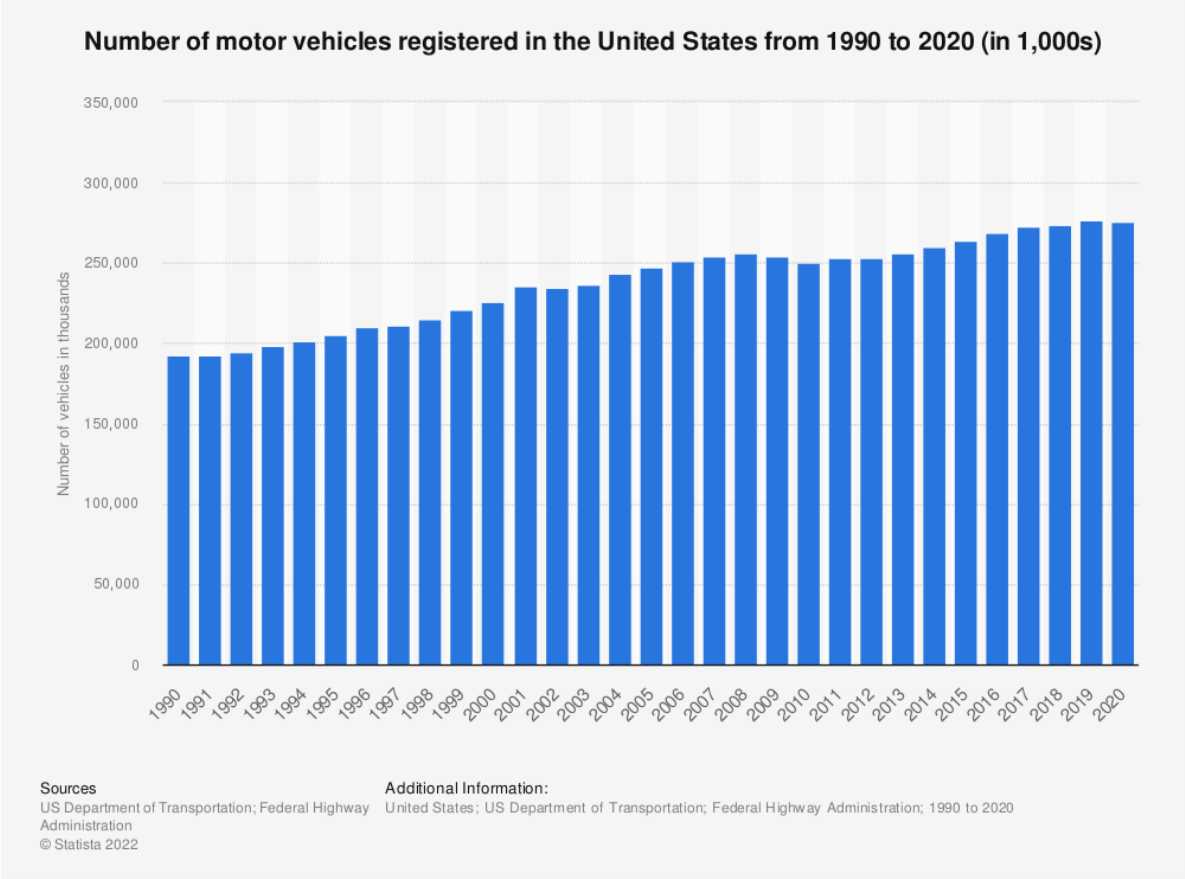


# Demand is always growing.....

### Number of Single-Family Homes '75 - 21



### Number of Personal Autos '90- '20



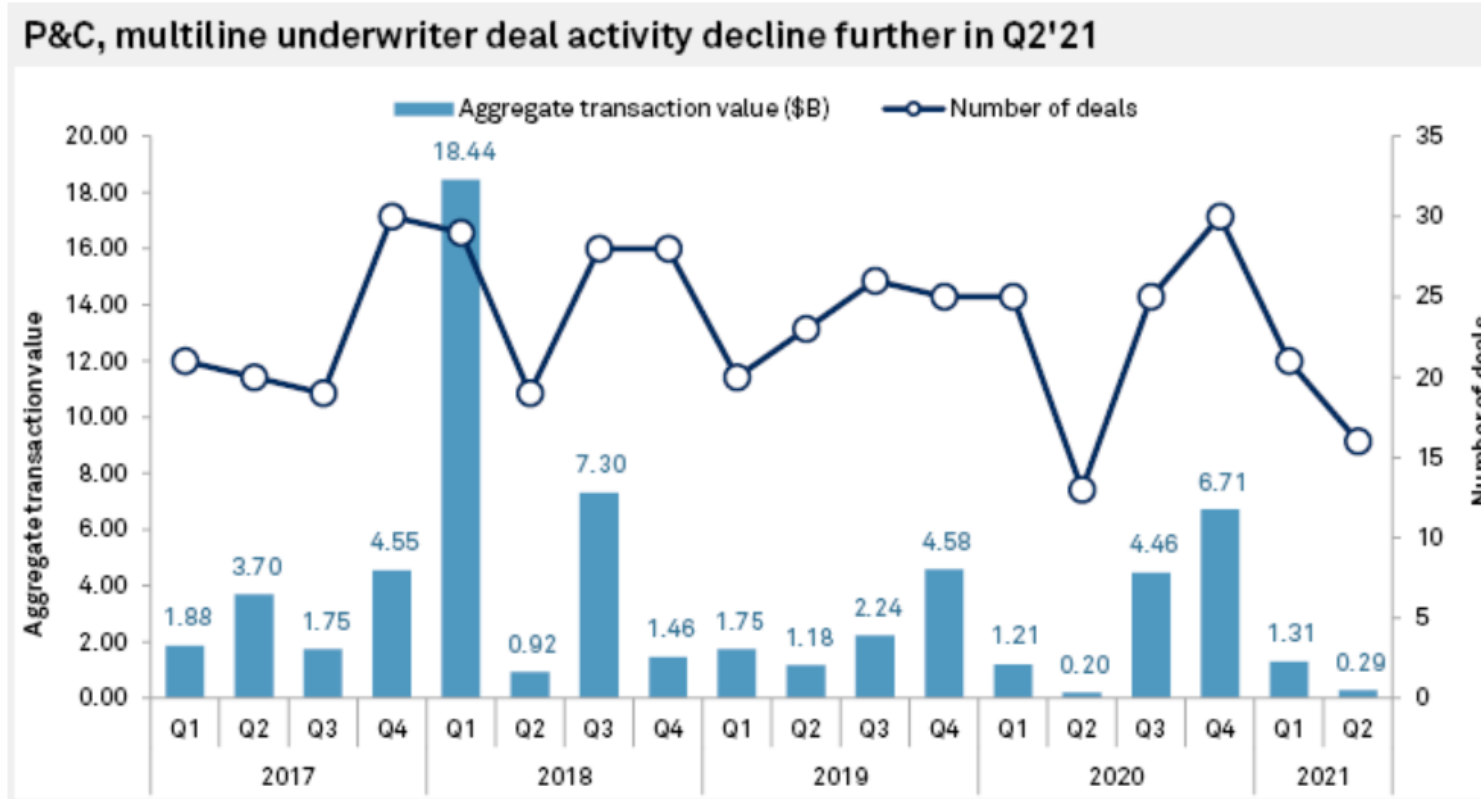


# What if Demand is growing and Supply is shrinking.....

## What is causing decreasing supply?

1. Less Markets / Consolidation
2. Less Reinsurance
3. Tightening Appetite

# Consolidation/M&A



<https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/m-a-activity-ticks-up-yoy-across-insurance-industry-in-h1-21-65498761>

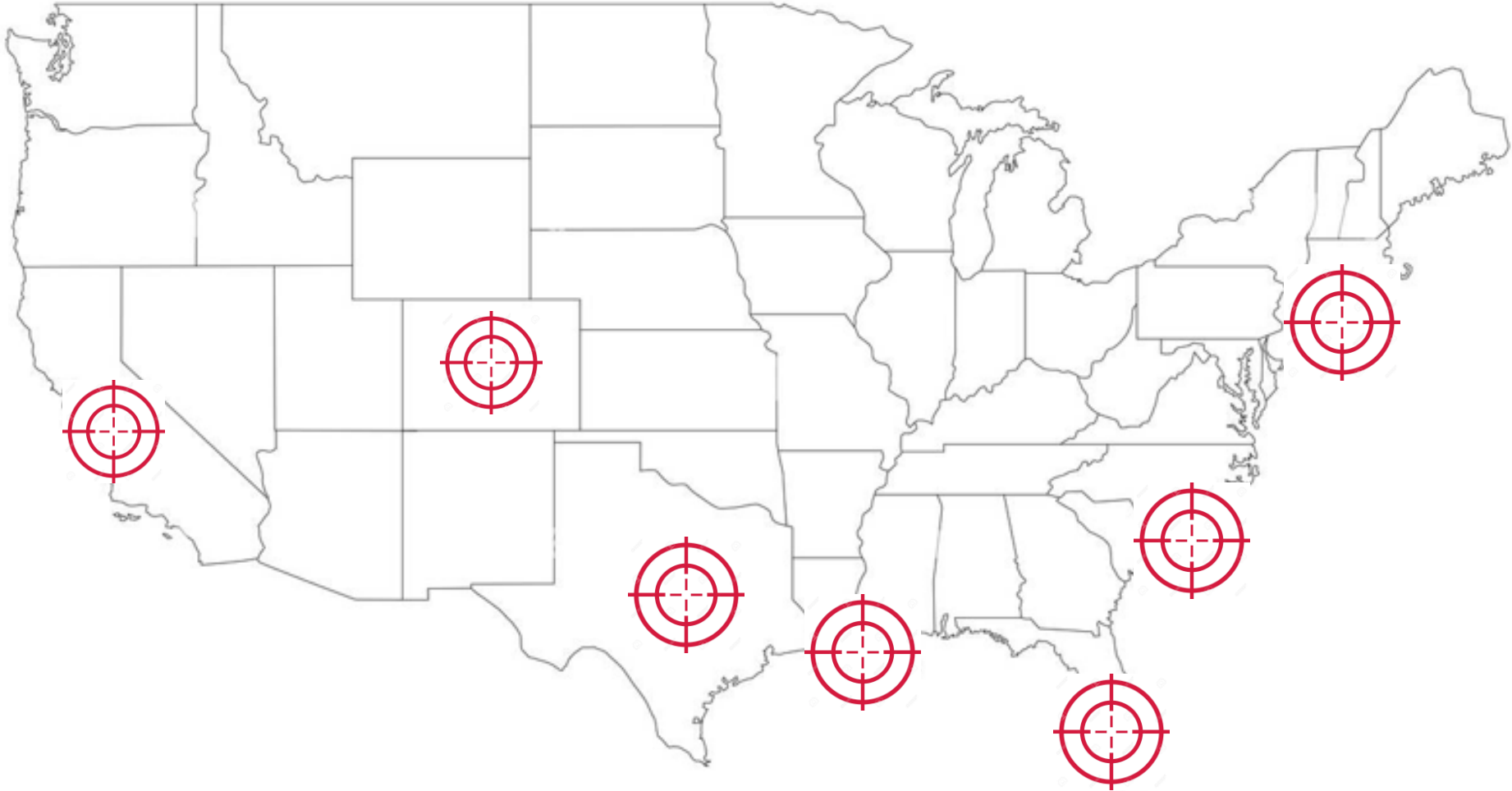




*PROGRESSIVE*



In certain states there are even less markets due to new business restrictions, carrier exits and insolvencies



# Reinsurance Capacity

**‘Droves’ of Global Re Market Entrants Unlikely; Outlook Stable: AM Best**

**“Global reinsurance capital levels to shrink this year” – AM Best**

**January Renewals See Hardest Property Catastrophe Reinsurance Rates in Generation**

By L.S. Howard | January 4, 2023

**2023 set to be hardest property reinsurance market in history: Argo’s Snyder**

# Capacity is Shrinking

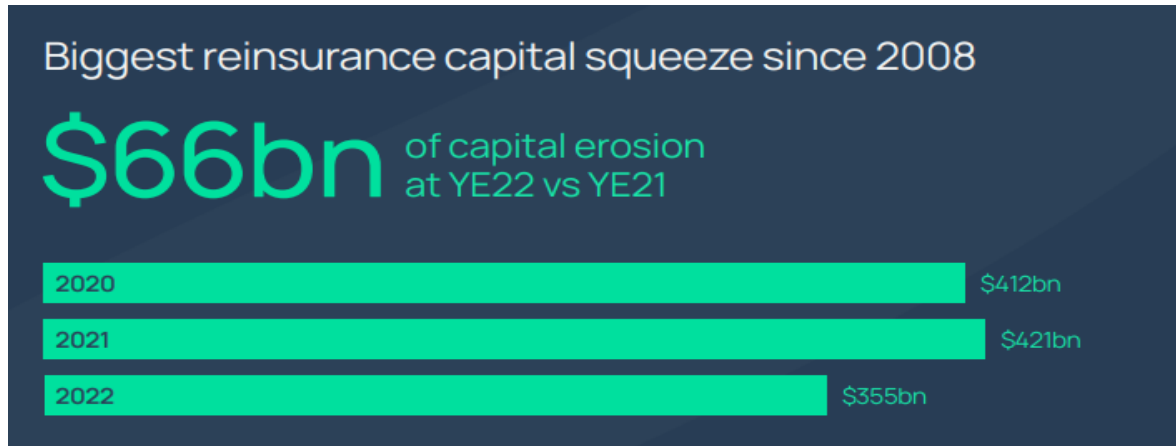


Figure 5: Components of capital decline for Howden's reinsurance composite – YE21 to 3Q22  
(Source: NOVA)



(n.d.). Howden-the-great-realignment-report-2023-fina. Insurance Journal. <https://www.insurancejournal.com/app/uploads/2023/01/howden-the-great-realignment-report-2023-final.pdf>

# Reinsurance Rates are rising



(n.d.). Howden-the-great-realignment-report-2023-fina. Insurance Journal. <https://www.insurancejournal.com/app/uploads/2023/01/howden-the-great-realignment-report-2023-final.pdf>



# Tightening Appetite

**US P&C industry posts \$24.3 billion net underwriting loss for 9M 2022 – report**

**Car insurance rates to rise 8.4% in 2023: Report**

The average cost of full coverage car insurance will be \$1,780 a year.

**Are insurance companies starting to raise deductibles on home policies?**

Watchdog Dave Lieber warns about a way insurance companies can get more money from you on a claim.

# Underwriting Actions



Many Regionals

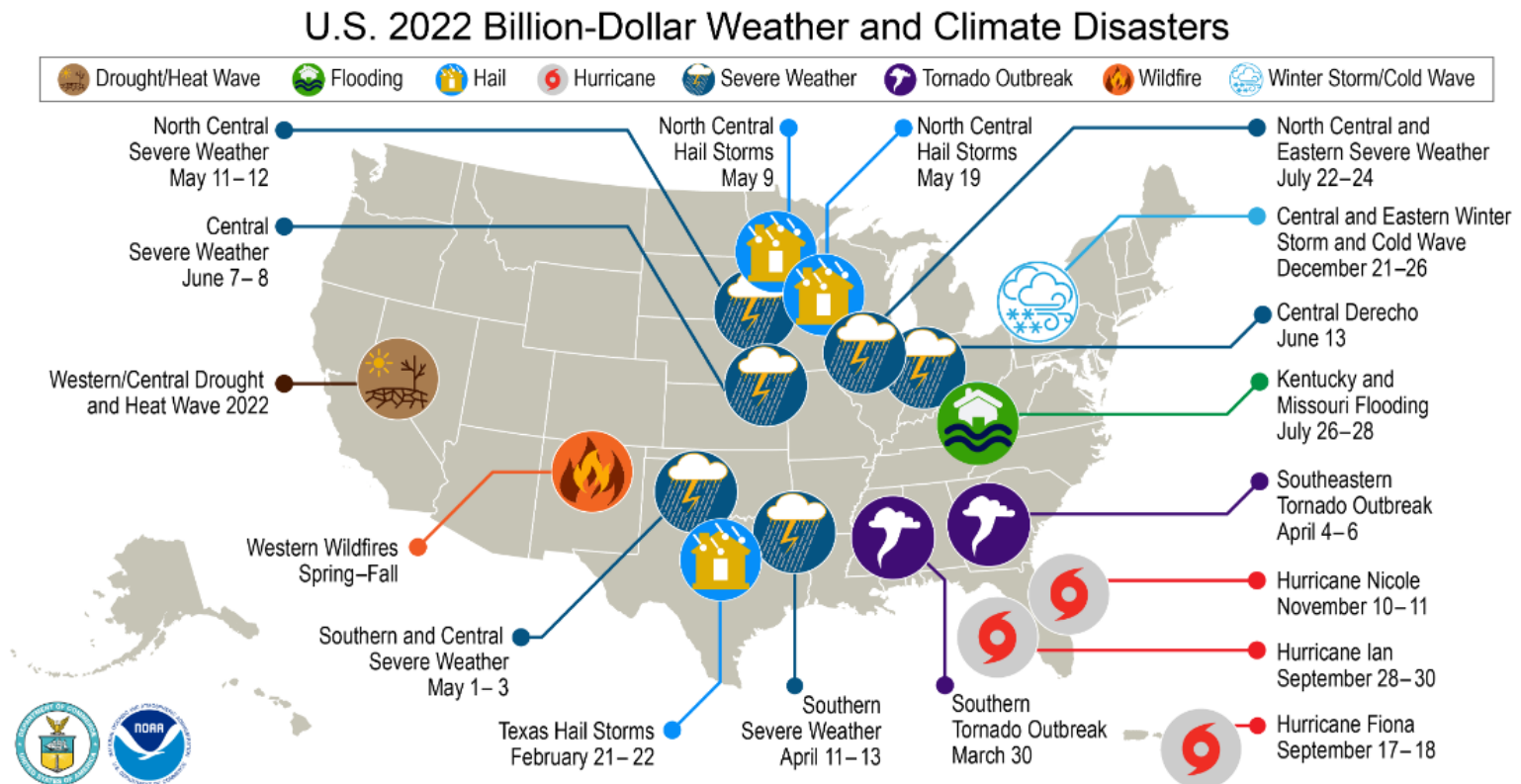
Demotech Insolvencies



# Why is appetite tightening?

- CAT Events
- Water Losses
- Auto

# \$1B Events: 2022 More of the Same

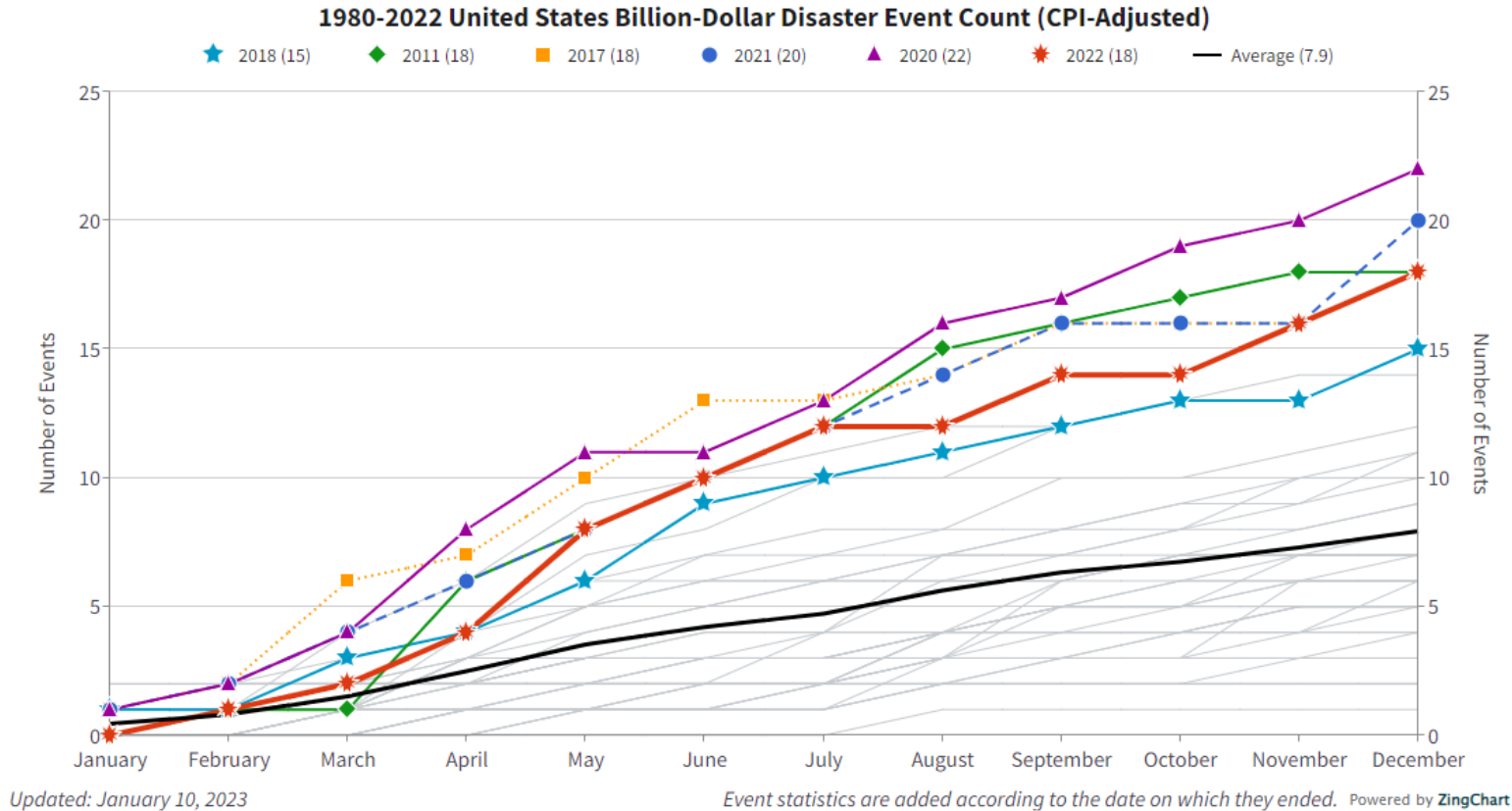


This map denotes the approximate location for each of the 18 separate billion-dollar weather and climate disasters that impacted the United States in 2022.

- ## Key Facts:
- 18 Events in total
  - 1 wildfire events
  - 2 Tornado events
  - 3 Hurricanes
  - 1 Winter storm
  - 11 Severe Weather events
  - 1 Flooding events
  - 3 Hailstorms
  - 1 drought

Source: National Oceanic and Atmospheric Administration (NOAA)

# 2022 More of the Same

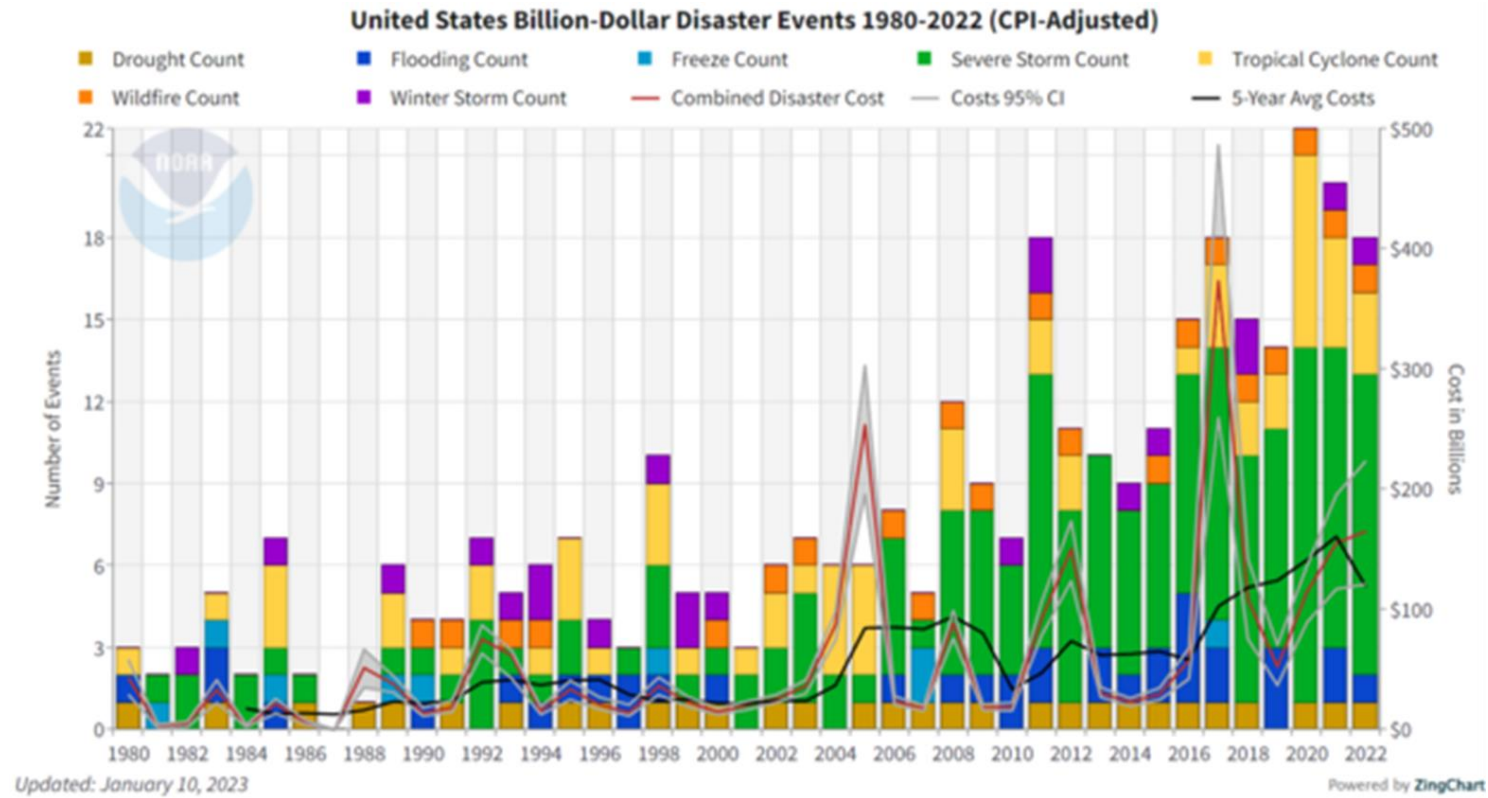


Source: National Oceanic and Atmospheric Administration (NOAA)

## Key Facts:

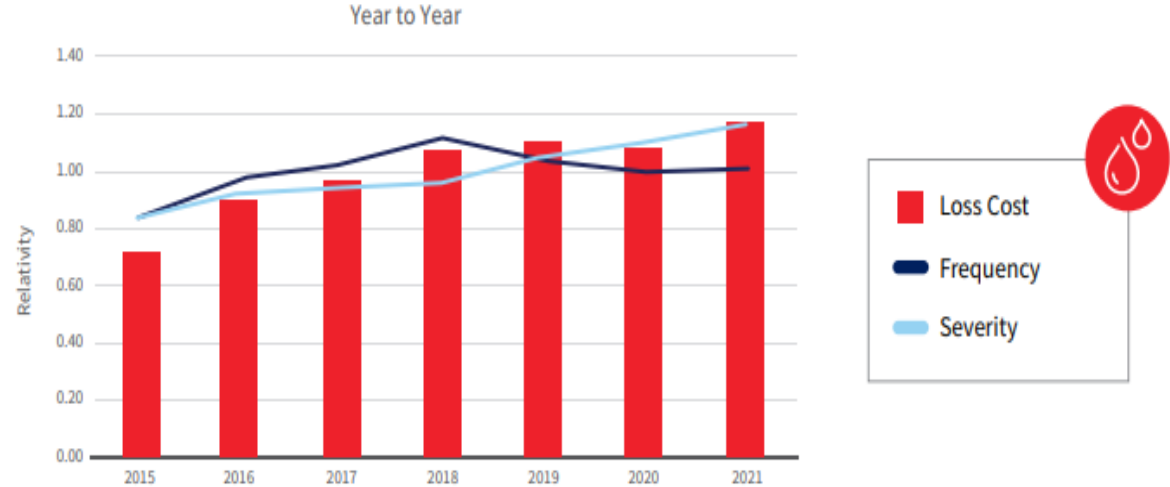
- Last 3 years are highest 3 years for frequency
- Frequency is on the Rise
- 2022 did see a decline from '21 and '20

# U.S. Insured Catastrophe Losses



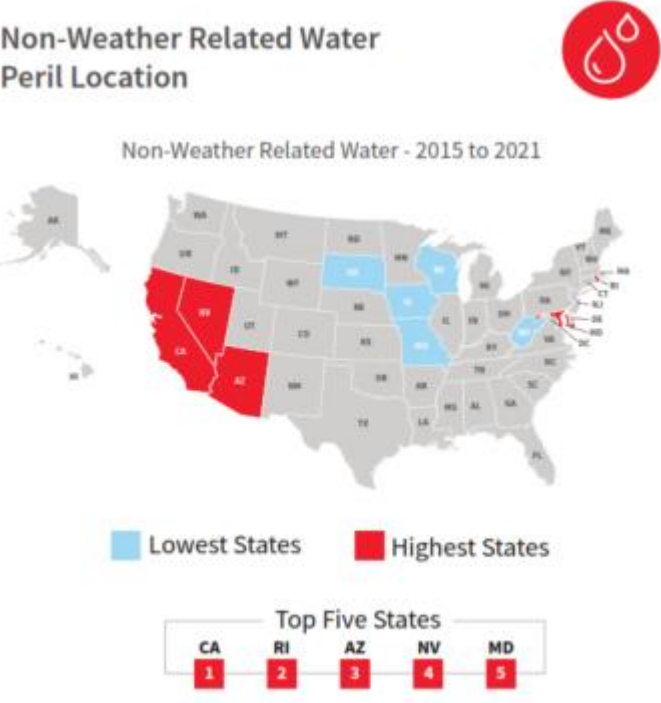
# Water losses continue to rise

Non-Weather Related Water Peril Trend



LEXISNEXIS® U.S. HOME TRENDS REPORT – 2022

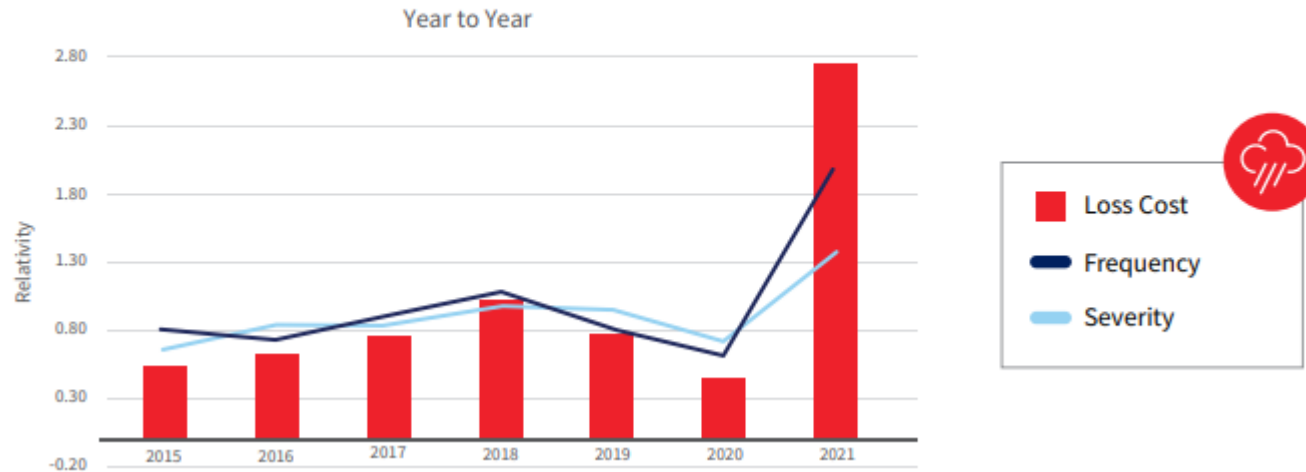
Non-Weather Related Water Peril Location



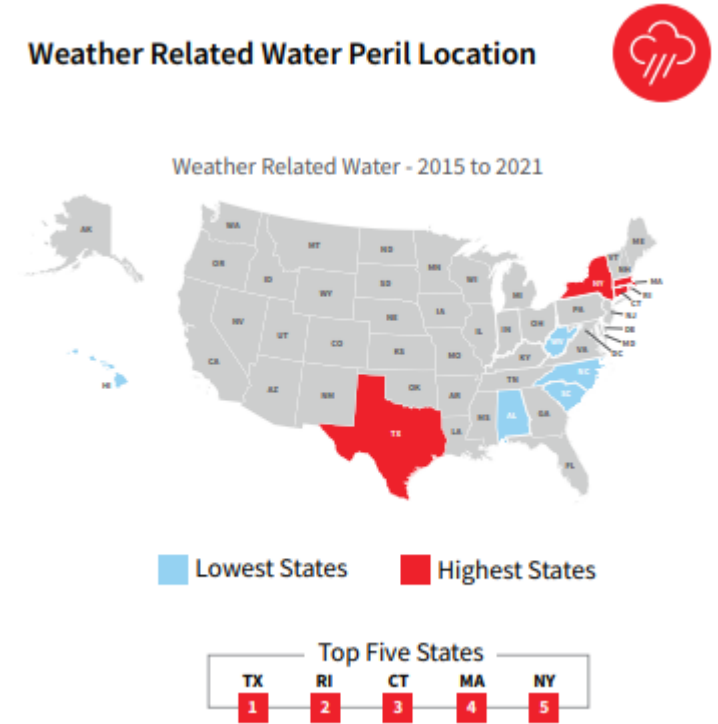
LEXISNEXIS® U.S. HOME TRENDS REPORT – 2022

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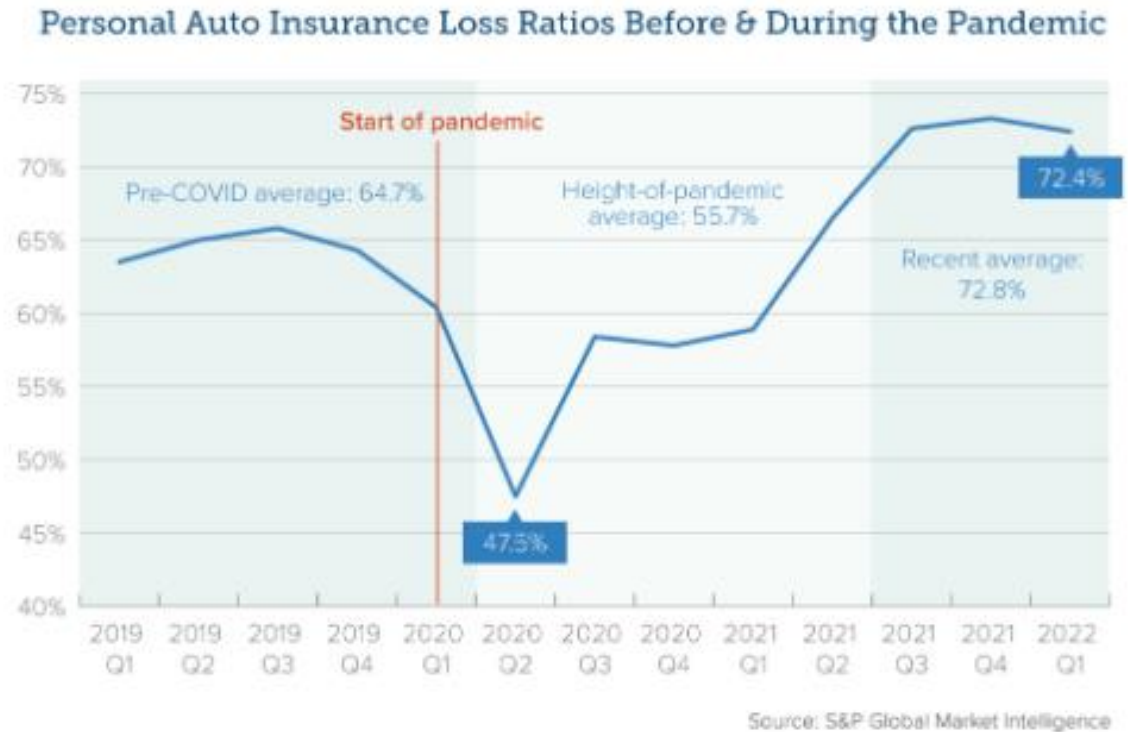
Weather Related Water Peril Location



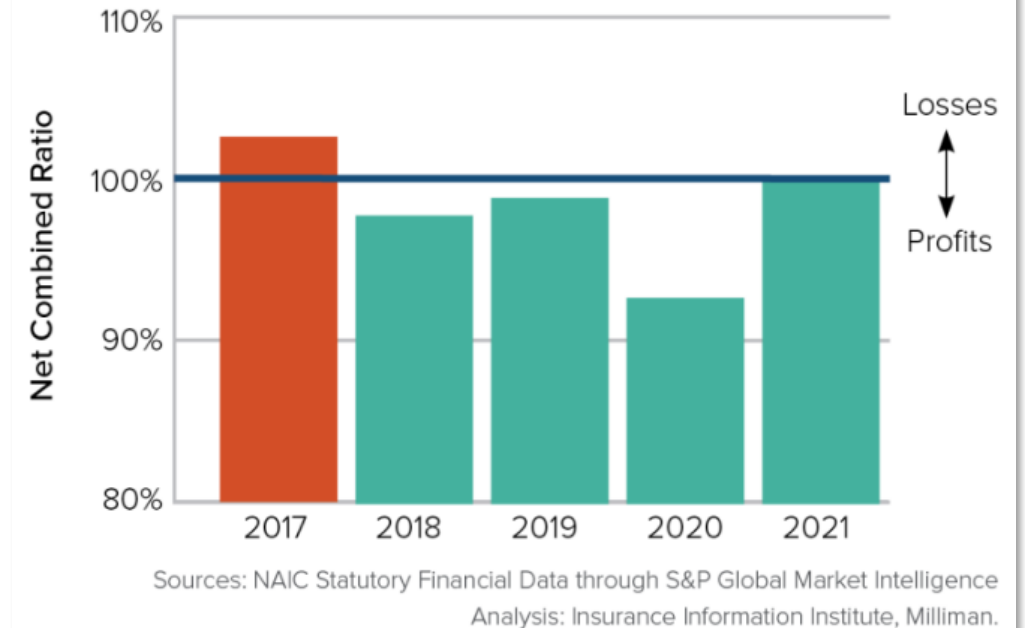
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# Personal Auto Results Are Deteriorating

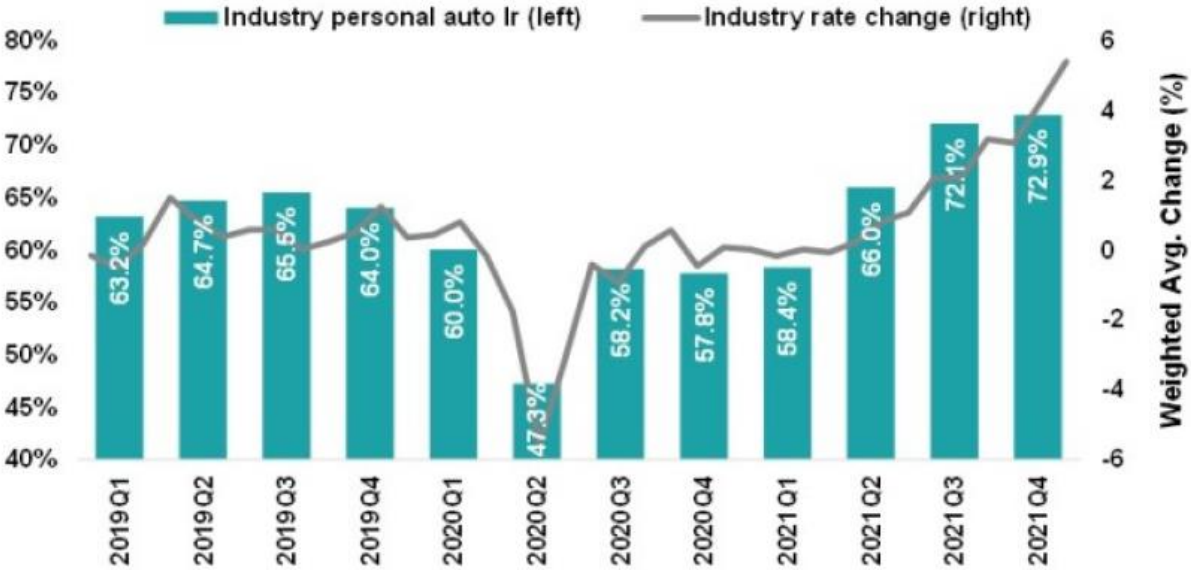


Auto insurance underwriting profitability nationwide



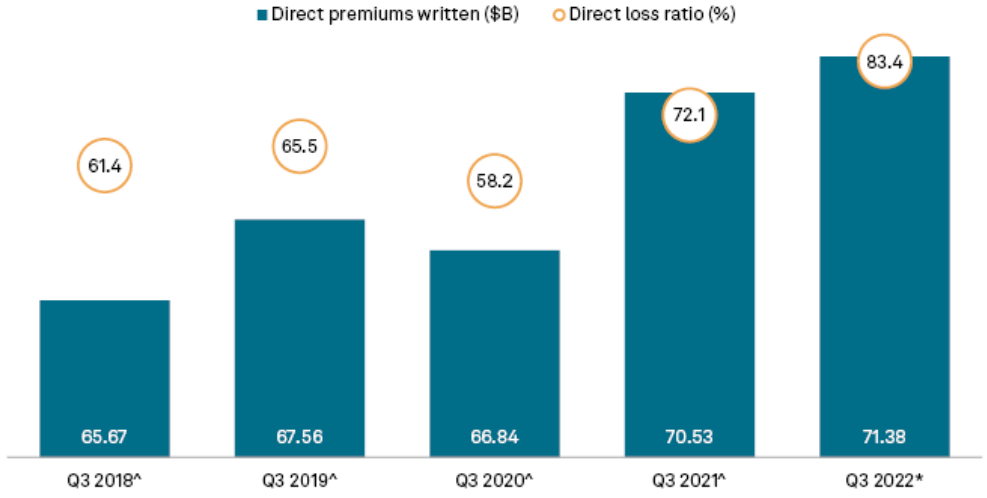
# Personal Auto Rates are rising

Industry personal auto rate filings vs. loss ratio



Source: S&P Global

US personal auto loss ratios continue to rise YOY in Q3



Source: S&P Global Market Intelligence.

What are the individual impacts on rate and insurability?

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# Individual Impacts on Insurability and Pricing

## Claims

- Frequency > Severity: Regardless of size multiple claims and penalized
- Mitigation after loss: What did you do to prevent the same loss in the future
- Were losses avoidable e.g. At fault accident vs. Hail claim

## Coverage

- Low limits of coverage can increase cost of insurance
- Is there current coverage for the risk (non-renewed or canceled)
- Seeking bare minimum coverage e.g. low replacement cost of home

## Carrier

- Go to quality coverage, service and financials.
- Loyalty is rewarded, don't jump around.
- Bundle as much as you can for optimal pricing

What are the best strategies when structuring your insurance plan?

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# What should clients be considering in a hard market?

## Change Expectations

- Rates are up
- Capacity is down
- Proactive on renewals
- 15 minutes is not enough

## Define Risk Tolerance

- What can they afford to self insure
- What do they want to transfer
- Use Risk Management

## Use Program Structure

- Deductibles
- Change schedule for blanket
- Split off auto
- Property deductibles close to 1% or higher

## Give Claims Advice

- Catastrophe not maintenance
- No windshield claims
- Pay for anything under \$2,500
- No roadside



Questions?