

# State of the Market: Private Risk Summary

## Recalibrating for Resiliency

*2024 Outlook*



## Introduction

In 2023, various forces shaped insurance markets in a state of transition, presenting both challenges and opportunities for insurance companies, businesses, and individuals alike. As a response to the varied conditions, companies and individuals sought ways to respond to the marketplace by transforming the vicissitudes of risk into beacons of opportunity.

So, what is the private risk insurance market signaling at the start of 2024?

January 1st reinsurance renewals certainly lend some perspective, with a more orderly renewal season being a welcome change from 2023. This year's renewals are indicative of improved capacity, greater predictability, and a shift to stabilization. Familiar forces, such as weather events, the economy, geopolitical dynamics, and emergent technologies, will also continue to shape a shifting insurance terrain.

What one can always expect from the insurance market is that it will course correct and respond to the global realities that impact all of us in ways that affect the availability and pricing of coverage. Whether it is business insurance, employee benefits, private insurance, or a combination of these needs, you too have the power to remain resilient by recalibrating your approach to risk management with the evolving world and insurance market. As the market changes, you can rely on Baldwin Risk Partner's (BRP) advisor and client experience teams to remain steadfast and dedicated to clients, working in partnership with you to find viable solutions that help protect your now and your future.

## Private Risk Outlook

The nationwide private risk market remains tight. Increased interest rates, inflation, and reinsurance complexities pose operational challenges for insurance companies, with political proposals further shaping the market's trajectory. Entrenched drivers, such as inflation, economic conditions, extreme weather events, and social inflation emphasize the need for tailored coverage and drive homeowners to fortify their properties. Auto insurance faces difficulties, with many insurers pulling out completely in certain states, such as California and Florida. Because of conditions in the home and auto insurance markets, more individuals are turning to the excess and surplus market as a solution that enables them to customize coverage for their specific needs.

Amidst entrenched and emerging market drivers, the private insurance industry continues to catch up with past losses, endeavoring to maintain profitability. Before taking on more risk becomes feasible, stabilization in the private insurance market could potentially take several more years. These evolving trends underscore the need for adaptability and proactive risk management strategies.

As you look for strategies that protect your assets and lifestyle, partnering with a BRP Private Risk advisor can help you find solutions that enable you to respond to a changing insurance market, stay ahead of the exposures that you encounter, and simplify the complexity of the current landscape.

## Market Drivers and Trends

In 2024, we expect the following market drivers and trends to impact the private risk space, including:

- Industry collaboration - We continue to see insurance companies from different firms collaborate with advisors to provide coverage options. This collaborative trend enhances the diversity of available insurance solutions and offers a wealth of expertise.
- Valuables - Insurance companies continue to place a heightened emphasis on accurate valuations for collections, like art, jewelry, and wine. They now expect individuals to provide accurate valuations by listing each asset and its specific value (with proof) before binding coverage.
- Inflation & economy - Economists anticipate inflation rate cooling and unemployment rates decreasing. However, economic growth exhibits early signs of a slowdown this year. Faced with economic uncertainty, private client insurers maintain a conservative stance, as evidenced by the sustained premium increases.
- Extreme weather events - Extreme weather events continue to be a driving force in exponential premium increases and a hurdle for properly protecting assets.
- Social inflation - Insurers continue to combat the challenge of escalating claims costs that surpass economic inflation. Substantial monetary settlements for injuries, reflecting broader societal trends have all contributed to increased insurance claim costs.
- Nuclear verdicts - Options for umbrella coverage continue to narrow due to a well-funded plaintiff's bar and increased jury awards over \$10 million, adversely impacting insurers and the coverage limits they used to be able to offer.
- Fraud - The incidence of individuals submitting false or exaggerated information on insurance claims is on the rise and in response, insurance companies have been increasing rates to recover losses.
- Parametric solutions - The insurance market is witnessing the emergence of parametric products as a strategic response to evolving trends. They complement traditional insurance policies and can be designed to cover both specific catastrophic losses and frequency losses. With the potential for parametrics to fill gaps and offer innovative solutions, there is a growing focus on using these products to make clients whole after events like wildfires or floods.

## Reinsurance Renewals

While reinsurance renewals in 2023 sent shockwaves through the insurance industry due to steep increases, delays, and constrained capacity, 2024's January renewals were markedly different. Market correction and improved results can be attributed to greater underwriting discipline, easing capacity pressures, and favorable capital conditions.

## Private Risk Property & Casualty Overview

Home insurance - Home insurance rates continue to increase due to inflated construction costs, increased frequency and severity of natural disasters, and an influx of claims.

Cyber coverage - Cyber threats and the potential financial impact of data breaches and online attacks have escalated, prompting insurers to adjust rates to mitigate increased risks and ensure comprehensive protection.

Auto insurance - Auto insurance is experiencing notable shifts as insurers make strategic decisions in response to evolving market dynamics, particularly with riskier driving habits and more congested roads post-COVID-19.

Umbrella liability - High limit umbrella policies are now nearly nonexistent. The demand for extensive coverage that exceeds standard limits has surged, leading to a limited availability of high-limit umbrella policies.

Excess & surplus markets - The surplus market is gaining significant momentum, with expectations of a substantial increase in uptake within the private risk sphere.

## Rates

Insurance rates within the private risk space are witnessing a uniform uptick, with an average 10% increase across all lines.

## In Conclusion

The insurance market will continuously shift in search of stability, affecting the options available to buyers. As you recalibrate your approach to the insurance market and look for ways to maximize the value of insurance for your organization, BRP's advisors are ready to help you discover your resiliency and work toward your long-term success. With experience navigating all market conditions, long-standing relationships with insurance companies, access to valuable resources, and expertise across many industries, we stand by our clients as they explore strategies that contain the cost of exposures and find insurance solutions that align with business priorities.

Together, we'll help you make informed insurance purchasing decisions to help protect your business, employees, and family.



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