

NEWS BRIEF

Commercial Property Rates Increase, Cyber Rates Moderate



Commercial property and casualty insurance rates rose 8.8% in the first quarter of 2023 (up slightly from 8.0% in the previous quarter) as property outpaced all other lines at an average of 20.4%, according to the latest Council of Insurance Agents & Brokers (CIAB) market survey.

As the market entered its 22nd consecutive quarter of price increases, insurance buyers experienced renewals on par with Q4 2022, CIAB reported. Large accounts saw higher increases at an average of 11.4% compared to medium accounts at 9% and small accounts at 6.2%.

Increases for umbrella liability slowed from 9.6% in Q4 2022 to 8.5%, while commercial auto prices were up slightly, with an average increase of 8.3% from 7.3% in Q4. Workers' compensation prices decreased an average of 0.5%, while general liability increases moderated to 4.6%.

"Commercial property was the only line this quarter that did not see any sign of moderation. Inflation and natural catastrophes continued to significantly impact the line. Many respondents highlighted issues with extreme increases in premiums, reduced limits and high deductibles," said CIAB in its report.

As one respondent from a large Midwestern firm said, "Commercial property was a mess." Another commented, "Property as a whole experienced the quickest hardening market anyone can remember in a lifetime."

Indeed, commercial property skyrocketed from an average of 8.3% in Q2 2022 to this quarter's average 20.4% price hike. Insurers' pressure for rate may not be unfounded—61% of CIAB respondents said they saw a jump in claim frequency in addition to inflation. A majority (85%) also said they saw a significant decrease in capacity. Many respondents also cited stricter underwriting, with building age a determining factor in getting coverage.

Cyber insurance buyers, however, saw continued pricing relief in Q1, with an average increase of 8.4%, down from 15% in Q4 2022 and down from a high of 34.3% in late 2021. "It seems like that focus on incentivizing insureds to adopt a more aggressive cyber risk management strategy has had some success," said CIAB. "In Q1 2022, the number of respondents reporting a rise in cyber claims was 72%. By this quarter, that number had fallen to just 39%. Given how severe cyber claims can be, fewer losses on this front may have allowed carriers to ease back on premium pricing increases."

The report also revealed a new priority for brokers in the coming months. In addition to perennial goals of recruiting new talent and organic growth, respondents also highlighted "becoming more data-driven." "We need better access to our own data and strategy for how we'll use it," said a respondent from a large Midwestern firm. Respondents said they hoped to use their data more effectively to analyze market opportunities, identify potential issues, enhance the customer experience, eliminate redundancies and provide decision support.

Despite the moderation in most lines, brokers said their clients remain concerned about the ongoing premium increases and limitations on coverage.