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2020 COMMERCIAL INSURANCE MARKET UPDATE

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This is a general overview of insurance market trends. However, coverage variations exist by industry and geography. Consult your insurance broker for more specific market information.

The insurance market in 2020 was difficult and is expected to remain that way in 2021. Driven primarily by increasingly large losses and peppered with uncertainty about future claims resulting from COVID-19 consequences, insurance consumers can expect to see increased rates, lower capacity, and stricter underwriting across most lines of coverage, particularly property, auto, excess liability, and directors and officers (D&O).

PROPERTY

Underwriters continue to look for increased rates as they try to recover from the many catastrophic losses that hit the industry in 2019. Most folks saw increases of 5-25% depending upon total insured values and loss history. Those with lower portfolio values and good loss histories saw renewals on the lower end of the scale, while those with high total insurable value and losses were higher. In addition to rates, underwriters are restricting coverage for catastrophic losses based upon locations. Consumers with exposure in wildfire-prone areas, areas subject to named storms, or downtown neighborhoods with vandalism/riot concerns may see higher deductibles, reduced capacity, and limits on coverage. Continued rate increases are expected in 2021 due to hurricane and riot losses as well as legal costs associated with responding to COVID-19 business income claims.



GENERAL LIABILITY

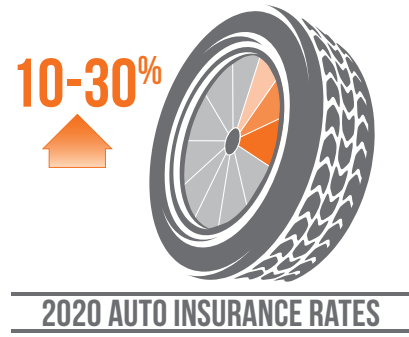
While general liability rate increases in 2020 had been relatively moderate (averaging 5%), there is concern that there may be an increase in COVID-19-related liability claims in 2021. That will continue to drive some rate increases for the foreseeable future, but those will still be much lower than other lines. Accounts with reasonable loss histories may find rates fairly flat; however, stricter underwriting should be expected, as well as insurers seeking to avoid exposures related to COVID-19, such as repurposed operations to provide virus-related materials or services.



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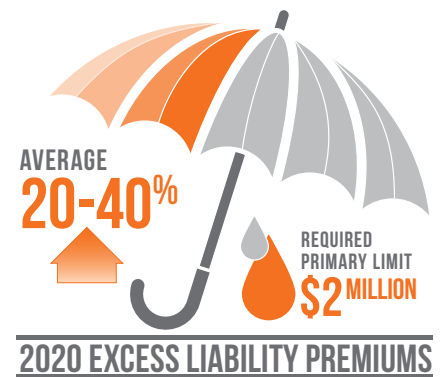
AUTO LIABILITY

Losses in auto lines continue to haunt the insurance industry. Despite the reduction in traffic volume and number of accidents, the severity of accidents has increased in 2020 due to the greater speeds drivers can reach on uncrowded roads. Increases from 10% to 30% may be the norm, with great emphasis on adherence to written safety protocols, use of telematics, and satisfactory loss investigations. It will likely be necessary for those companies with larger fleets to consider getting \$2 million in auto limits to aid the placement of excess insurance over larger auto exposures.



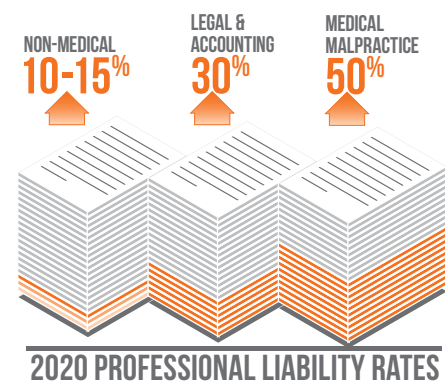
EXCESS LIABILITY/UMBRELLA

The excess liability market has been almost the exact opposite of the primary market. Due to the increases in large lawsuits and the subsequent legal costs and settlements, the excess market is turbulent, to put it mildly. In 2020, most renewals saw premium increases of 20% to 40% on average. Those companies with poor loss histories and higher risk operations should expect increases of 50% or higher, particularly those with more significant auto fleet exposures. In addition, capacity has been reduced, meaning that many underwriters are not willing to write the same level of limits they have previously. Therefore, it is likely that many umbrella towers have to be restructured using more and different carriers at different attachment points. Many underwriters are requiring that primary limits be \$2 million rather than the traditional \$1 million before they will attach. Getting started early on renewals is important to coordinate the changes that may be needed on excess lines.



PROFESSIONAL LIABILITY

Non-medical professional liability coverages continue to harden, with expected premium increases of 10%-15%. Harder lines, such as legal and accounting, saw higher increases up to 30%, while medical malpractice is up for hospitals and reaching 50% for nursing homes. One brighter area is medical facilities and physicians due to reduced patient volumes, resulting in single-digit rate increases in 2020. In addition to the rate changes, the market is also seeing underwriters reducing offered limits, increasing deductibles, and restricting coverage through policy exclusions.



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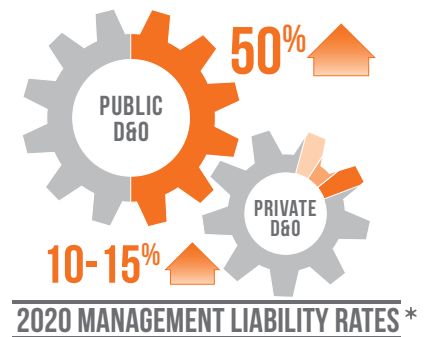
CYBER LIABILITY

This line of coverage is becoming more important to all types of businesses due to the increasing activity by cybercriminals. While the hard market has not impacted cyber coverages to the same extent as other lines, the expectation is that prices will begin hardening by single-digit percentages in 2021. There may also be some reduction in limits that underwriters are willing to provide, but that would be the exception for most renewals. On the flip side, coverages continue to evolve and broaden to respond to different cyber threats.



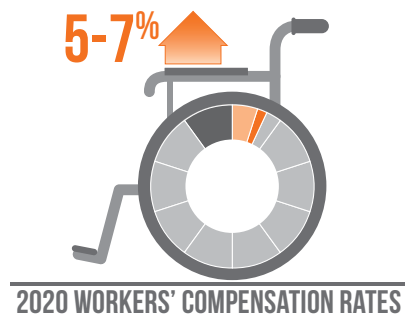
MANAGEMENT LIABILITY

Several different lines of coverage are considered part of management liability, including D&O, employment practices liability (EPL), fiduciary liability, and fidelity (crime). In 2021, we can expect to see increases in the D&O and EPL lines. Once again, COVID-19 is impacting the marketplace with concerns ranging from loss of jobs to wage issues involving remote work and return to the office. D&O has suffered due to claims activity; management and companies' actions during the pandemic has been a primary concern. Renewal pricing will vary greatly depending upon loss history and individual circumstances.



WORKERS' COMPENSATION

Unlike most other coverage lines this year, workers' compensation is relatively calm with little rate movement or capacity reduction. This coverage has benefited from decent results before COVID-19. Accounts with suitable loss histories can expect relatively flat renewals, while those with some loss activity could see increases in the 5% to 7% range. However, the specter of potentially large COVID-19 claim numbers has the carriers somewhat cautious about the future, as current pricing did not contemplate pandemic exposures. This will bear watching going forward.



DEALING WITH THIS HARD MARKET

This is likely the most difficult market across all lines that most insurance consumers have encountered in the past 20 to 25 years, and many are inquiring about how to weather it. The following page has several steps that can be taken by organizations to help reduce the impact.

STEPS TO DEALING WITH A HARD MARKET

- ✓ Emphasize safety and accident avoidance.
- ✓ Consider the use of telematics technology for auto exposures.
- ✓ Review and update safety manuals and protocols, particularly fleet policies.
- ✓ Investigate and determine causes for accidents that happen and take steps to avoid future losses.
- ✓ Start the renewal process early and submit applications and necessary insurance information to your broker early. Underwriters are receiving high numbers of submissions, so it's important to allow more time.
- ✓ Determine how much risk you are willing to take in the form of deductibles or loss sensitive programs, as well as minimum umbrella limits you can carry.
- ✓ Review claims and ensure there are no unnecessarily open or high reserves listed, as these are reviewed by underwriters regularly.

If you have any further questions, speak with an experienced insurance broker who can assist with these measures.