

# Private Client Group



APRIL 16, 2021



## HOW THE HARD INSURANCE MARKET IS IMPACTING PERSONAL LINES INSURANCE

[Brandon Hemphill](#) | Private Client Group Executive

Starting in [September](#) of 2019, the commercial insurance marketplace began to show signs of firming. Since then, most insurance markets in the property and casualty industry have entered a full-blown hard market cycle, including personal lines. If you have faced higher rate increases, changes to coverage language, or even a non-renewal, you are likely experiencing the impacts of the hard market. But what exactly is a hard market? And what can you do about it?

### The Hard Market

The insurance industry vacillates between two market cycles: soft and hard. In a hard market, premiums increase and the appetite for more risk or exposure decreases. Premium increases speak for themselves, but the reduced appetite for risk causes the most pain, as insurance companies decline to offer coverage in certain areas or limit the amount they will pay for specific losses. This is particularly true in the state of California, where the increased severity of wildfires has resulted in carriers not offering coverage in certain fire-prone areas or not renewing coverage of properties they have insured in the past due to a greater fire hazard. Keep in mind that these catastrophic events are impacting home and auto insurance rates; many cars were burned in the wildfires or flooded by hurricanes. This trend is not isolated to California, either.

### How We Got Here

The largest contributor to our current hard market is the increased severity and frequency of catastrophes in the United States and across the globe. The end of 2017 brought hurricanes Harvey, Irma, and Maria, followed by another very active 2018 paired with wildfires in northern and southern California that led to record claims payouts from the insurance industry. Further, the current market doesn't take into account the still active losses from COVID-19, 2020 wildfire losses, and winter storm Uri, which is anticipated to carry [\\$18 billion](#) in losses to the insurance industry.

### ABOUT PARKER, SMITH & FEEK PRIVATE CLIENT GROUP

We focus on high net worth clients and partner with affluent market insurers, whose products and services are specifically designed for the affluent client with complex insurance scenarios.

Our goal is to protect client assets through a comprehensive risk management process and a custom-crafted insurance program for each Private Client.

We are knowledgeable in the insurance markets and trends that affect our clients and are positioned to respond with up-to-the-minute analysis and solutions.

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Low interest rates lead to low investment returns, which eat into insurance company balance sheets; our prolonged low interest rate environment has contributed to a lower appetite for new policies. Lastly, the size of jury settlements across the country and resulting payouts from insurance carriers have increased dramatically in the last few years, a development known as social inflation.

## What Can Be Done?

While an individual cannot directly change weather patterns or interest rates, there are things you can do to mitigate the impacts of a hard market.

- **Proactive Mitigation** – Make your home safer from future losses. In some zip codes, carriers are looking for reasons to decline renewing coverage; having claims from certain scenarios is enough of a reason to non-renew. The more significant benefit to investing in mitigation is preventing a loss from happening in the first place. Effective mitigation efforts include implementing water shut-off valves, earthquake shut-off valves, FireWise USA® recommendations, back-up generators, and centrally monitored burglar and fire alarms.
- **Deductibles & Self-Insurance** – Some carriers provide meaningful premium credits for increasing your deductible. By taking this approach, you are self-insuring a larger percentage of a covered loss, which may be worth the annual premium savings.
- **Claims Counseling** – Before filing a claim with your insurance carrier, discuss the situation with your trusted insurance broker. A good broker will help you understand the potential consequences of filing the claim so you can make an informed decision on how to proceed.
- **Information Sharing** – If you need new or different coverage, be prepared for your broker to request additional information. The more information you have about a new property purchase, updates made to the property, etc. will provide your broker the best opportunity to get approved quotes.
- **Preparation** – If you are considering a new property purchase, especially in rural or fire-prone areas, be prepared for higher premiums and potentially high wildfire deductibles in order to secure quality coverage. If you are purchasing a property in these areas, it is also important to work on your insurance provider early in case it takes longer to find coverage.
- **Drive Defensively** – Speeding tickets and citations that hit your motor vehicle report will likely lead to larger than expected rate increases or non-renewals.

The hard market is here, and it appears we will be navigating it for the foreseeable future. While the hard market can be challenging and frustrating, understanding it can take some of the sting out. During challenging and frustrating times, it is more important than ever to have a trusted insurance broker to guide and advise you through it. Reach out to Parker, Smith & Feek's Private Client Group if you have questions or would like to learn more.

## References and Resources

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