Lawley

2024

Understanding Current Market Conditions

COMMERCIAL INSURANCE

Top 7 Key findings of Understanding Current Market Conditions

1 CATASTROPHIC LOSSES

Bloomberg Intelligence reported that 2023 marks the **fourth consecutive year** in which global insured losses resulting from natural disasters are projected to **exceed $100 billion** with convective storms.

EXAMPLES INCLUDE:

- **Thunderstorms**
- **Tornadoes**
- **Hailstorms**

In 2022, total insured losses globally were estimated at a staggering

$140 BILLION

making it the worst catastrophic year in history, as it includes Hurricane Ian which could become the costliest insured cat loss ever in recent history.

CATASTROPHIC EVENTS ARE A MAJOR FACTOR DRIVING UP THE COST OF REINSURANCE

an expense the primary carrier needs to pass along to customers.

68%

of all losses were weather-related in the first half of 2023.

2 REINSURANCE

Inflation and the economic environment have been making reinsurers more restrictive with limited capacity.

In early 2023, the gap between reinsurance supply and demand was estimated at

$60 BILLION } **3X** WHAT IT WAS AT THE SAME TIME IN 2022.

3 UNDERINSURANCE

Recent inflation has driven the cost of materials and services much higher.

43% **OF BUSINESS OWNERS SAY**

they have increased their policy limits to accurately reflect what it would take to replace insured property now.

4 PROPERTY REPLACEMENT COSTS

RISING CONSTRUCTION COSTS:

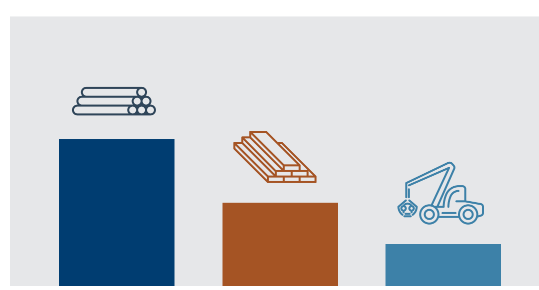
The cost of construction materials and labor has been **increasing steadily** over the past few years. This has led to higher costs for repairs and rebuilding, which has, in turn, led to higher insurance valuations.

CONSTRUCTION COSTS HAVE INCREASED OVER THE PAST THREE YEARS FOR THE FOLLOWING:

55%
Structural Steel

35%
Lumber

18%
Machinery and Equipment



5 SKILLED LABOR AND PARTS SHORTAGE

Even with higher pay,

9 OUT OF 10

contractors are struggling to find skilled labor and are delaying projects as a result.

61% OF BUSINESSES REPORTED THAT

their current supply chains still aren't functioning normally, with many of these companies placing orders for essential inventory and materials up to six months in advance to ensure timely deliveries and avoid operational delays.

As a result, policyholders with large commercial fleets and additional auto exposures

HAVE HAD GREATER DIFFICULTY SECURING

excess layers of coverage alongside elevated program pricing.

6 PROPERTY RATE NEED

For years, escalating loss trends have outpaced rate increases, primarily because of the costs of catastrophes, severe weather, and large fires.

EXPECT CARRIERS TO RAISE RATES AGAIN THIS YEAR to close the gap.

7 CYBER INSURANCE

Over the last couple of years, evolving technology, increased threat vectors, and growing attacker sophistication have **driven up the frequency and severity of cyber incidents**, causing a rise in cyber insurance claims and subsequent underwriting losses. As a result of this volatile risk environment, most policyholders have faced continued premium hikes.

*Information as of December 2023