

## Focus on Property Insurance

### Expect Premium Increases and Restricted Capacity in 2020

January 2020

According to Munich Re, in 2019 natural catastrophes resulted in economic losses of US\$150 billion, with insured losses of about US\$52 billion – in line with historic long-term averages. However, 2019 follows a tumultuous 2018, which was the fourth-costliest year since 1980 in terms of insured losses – US\$80 billion. The largest contributor were the typhoons in Japan. (Munich Re, *Reinsurance*, January 8, 2020).

The National Oceanic and Atmospheric Administration (NOAA) rates activity for the 2019 Hurricane season as *above normal*, with 18 named storms, including six hurricanes of which three were considered major. Hurricane Dorian is on record as the second strongest hurricane in the Atlantic basin in terms of measured peak wind speed (185 mph). According to NOAA, 2019 is the fourth consecutive above normal Atlantic hurricane season.

#### Effect on Property Premiums

USI's 2019-2020 *Commercial Property and Casualty Market Outlook - 4<sup>th</sup> Quarter*, predicts double-digit increases in property insurance rates. Generally, non-CAT property with favorable loss experience will see increases of 10 to 20%. CAT exposed property with minimal loss history and CAT or non-CAT exposed property with a poor loss history will see increases anywhere from 25 to 40% and 30 to 60% respectively. These estimates are larger than USI's earlier mid-year predictions.

Willis Towers Watson is also predicting double-digit increases for commercial property insurance rates. In its recent report, *Insurance Marketplace Realities – 2020*, the company predicts property rate increases twice as high as predicted in its spring report (*Insurance Marketplace Realities 2019 Spring Update*): CAT-exposed risk with losses will see increases of 15% or more and CAT-exposed risks with heavy losses increases of 30 to 50% or more. Global property CAT rates rose by 5-percent at January 1, 2020 renewals, with some regions seeing sharp increases, according to Reuters (Environment, January 2, 2020).

#### What can insurance buyers do to control premiums?

Short of re-engineering or raising property, or relocating to less-flood or windstorm exposure areas, insurance buyers should:

- Make sure your insurance representative has access to a wide variety of markets and programs
- Start the renewal process as early as possible
- Provide accurate exposure, loss and underwriting data, including COPE information
- Verify that your property is properly classified and rated by the insurer
- Consider alternative risk financing programs
- Eliminate any unnecessary coverage
- Include information about risk control efforts that have improved the risk

**To see how we can help improve your insurance coverage, contact David Mocklow at 516 962 4618 or [dmocklow@gramercyrisk.com](mailto:dmocklow@gramercyrisk.com)**