AMWINS

Navigating the Complexities of the Agriculture Market

The current state of the agriculture insurance market is challenging, to say the least. Brokers and retailers find themselves navigating a landscape fraught with complexities, driven by factors such as non-renewals, increasing costs and coverage gaps. The market's volatility stems from a combination of hard market conditions, rising premiums and a reduction in available E&S coverage, leading to a situation where both insurers and insureds face significant challenges.

CONTACT

To learn more about how Amwins can help you place coverage for your clients, reach out to your local Amwins broker.

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A fragmented and challenging market

In recent years, the market has witnessed a series of underwriting adjustments by major carriers, leading to fluctuations in available limits and pricing. For instance, two leading carriers have both made notable changes to their excess coverage offerings, with one reducing its limits significantly, forcing brokers to quote multiple excess layers to meet client needs. These shifts have resulted in a cyclical pattern where a single carrier's decision can create a ripple effect, impacting the entire market.

One significant challenge in the current market is the increase in non-renewals, particularly for farm labor contractors. As standard markets retreat from providing admitted coverage, retailers are increasingly turning to E&S markets to fill the gap. However, the disparity between the expiring premiums and the new quotes from E&S markets has been striking.

For Example:

A recent **harvesting account** that was non-renewed by a standard carrier saw the following increases:

488%

Increase in GL premium from $34,000 to $200,000

1,150%

Increase in Excess coverage from $24,000 to $300,000

This significant market gap highlights the difficulties brokers face in securing affordable coverage for their clients.

Despite these challenges, the market has seen some movement in terms of new inquiries, particularly for coverage for growers and processors. While excess agriculture lines haven't experienced dramatic changes in pricing or limits, the withdrawal of standard markets has created opportunities for E&S markets to step in. This shift presents a unique challenge for retailers, who must navigate the complexities of the current market while providing competitive quotes to retain their clients.

Non-renewals driving the market

One of the most pressing issues in the current market is the prevalence of non-renewals. Retailers often approach brokers not because they are seeking new coverage, but because they are being non-renewed by their current carriers. The reasons for these non-renewals vary, but they often stem from a combination of high claims frequency, poor risk profiles and unfavorable location factors, such as being situated in areas prone to wildfire.

When faced with non-renewal, the cost differences between the admitted market and the E&S market are stark. Admitted carriers typically offer farm packages that include GL, auto and property coverage, often at a lower cost and with fewer exclusions. However, these packages are increasingly hard to come by, particularly for farms with high-risk profiles. In contrast, E&S markets may offer more limited coverage at a higher cost, with significant exclusions that can leave critical exposures uninsured.

Coverage gaps and exclusions

The disparities in coverage between the admitted and E&S markets are a major concern. For example, admitted farm packages often include personal liability coverage, reflecting the fact that farm owners typically live on their property. However, when coverage is moved to the E&S market, these personal liability elements are often excluded, creating significant coverage gaps. Additionally, the E&S market often imposes strict exclusions, such as those related to mobile equipment, communicable diseases (mold/fungi) and impaired property.

For instance, exclusions related to communicable diseases (mold/fungi) can leave farms exposed to significant liability, particularly in cases involving foodborne illnesses like E. coli or Listeria. While some E&S carriers might offer limited give-back provisions for bodily injury resulting from foodborne illness, these may be insufficient to fully cover the risks involved.

Auto and excess coverage

Auto coverage in the agriculture sector presents its own set of challenges. Many farm operations involve extensive auto fleets, including both personal vehicles and commercial trucks used for transporting goods. The risks associated with these fleets, particularly in states with stringent regulations like California, are significant. Issues such as unlicensed drivers, the use of personal vehicles for commercial purposes and the complexities of insuring subhaulers all contribute to the difficulty of securing adequate auto coverage.

In some cases, brokers are also asked to provide monoline hired and non-owned auto coverage, but the costs can be prohibitive. Many of these policies are contingent upon verifying that all drivers have valid licenses and limits higher than state requirements. These are requirements that many farm operations struggle to meet due to the nature of their workforce.

At the same time, the overlap between GL and auto coverage, especially with mobile equipment like combines, introduces another layer of complexity that requires careful management to prevent coverage gaps. For instance, if a GL policy includes a mobile equipment exclusion, it could leave significant risks, such as tractor accidents, without coverage.

Inflation and market dynamics

Inflation and market dynamics also play significant roles in shaping the agriculture insurance landscape. Many agricultural policies are rated based on sales rather than acreage, leading to discrepancies when sales figures fluctuate due to changes in commodity prices rather than actual production increases. This has created challenges in aligning premium rates with true exposure, often resulting in higher-than-expected premiums.

The limited number of markets willing to underwrite agriculture risks exacerbates the situation. With few new entrants to the market and existing carriers taking more conservative underwriting positions, there is little competition in the market. This scarcity of options further drives up premiums, making it even more difficult for retailers to find affordable and comprehensive coverage for their clients.

We help you win

The agriculture insurance market is in a state of flux, with brokers and retailers facing significant challenges in securing comprehensive and affordable coverage. The combination of non-renewals, rising premiums and complex coverage requirements necessitates a deep understanding of the market and a strategic approach to managing risks. By working with specialists – like Amwins – who understand the unique exposures of the agricultural sector, retailers can better navigate this challenging environment and secure the protection their clients need to continue operating successfully.

As the nation's leading wholesale broker, relationships are our strength. To meet your client's evolving needs, Amwins puts our market relationships and expertise to work to continuously develop proprietary products — even in hard market conditions. Our agriculture specialists are better equipped to curate submissions, educate retailers and navigate the challenging E&S market to secure the best possible outcomes for our clients.

Insight provided by:

- Jen Oshita, SVP, Amwins Brokerage
- Lindsay Williams, SVP, Amwins Brokerage