STATE OF THE CASUALTY MARKET

CASUALTY UPDATE - Q2 2019

After years of an entrenched soft market, the pendulum is swinging back to a focus on profitability.

As we head into the second quarter of 2019, it has become clear that the pace of market change is accelerating. Buyers and brokers alike will see the differences in rates, limits, terms, and conditions across many classes of casualty coverage.

MARKET MOVEMENT

Loss development on casualty lines has been deteriorating, driving even greater market hardening than was projected. Not only have segments such as New York construction, real estate, and transportation firmed, but that firming is spreading into nearly all sectors of the casualty space.

"There is a significant restriction on capacity, particularly in problem areas," says Tom Dillon, executive vice president and national casualty practice leader for AmWINS. As noted, New York construction and excess transportation are problem areas, with several carriers dropping out of these markets in the past six months and the remaining carriers doing significant retrenching.

"The supply of capacity is stressed; however, demand continues," says Matt Jarrett, Director, U.S. Casualty at THB, AmWINS' London broker. "Carriers are increasing their attachment points, and we've also seen rates on line approaching 100% on certain risks."

On the West Coast, wildfires have not only caused billions of dollars in property damage, but also have wreaked havoc on the casualty market for the major utility companies. "Utilities on the West Coast right now is the hardest of hard markets. It is very difficult to place that business at this point. However, we have found pockets of capacity at the right price," Jarrett says.

Even outside those problem areas, brokers and buyers can expect to see that – after chasing premium for years – carriers are shifting to a focus on underwriting profitability. Capacity is also constricting in excess liability, with major players that previously had been willing to offer $50 to $100 million limits pulling back to $25 or even $10 million limits on individual accounts

"Those types of actions cut into marketplace capacity quickly, and we expect to utilize more carriers to fill out excess towers," says Dillion.

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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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SEGMENT SNAPSHOT

Going into Q2, we expect to see the following in casualty market segments:

In **Real Estate**, habitational business remains problematic. Both primary and excess markets continue to increase pricing and pull back on underwriting of apartments, with lessors risk the more competitive segment.

In **Automobile Liability**, coming off another year of underwriting losses, we expect to see continued increases in rates and market constriction, especially in the excess space. Most carriers in this space are rerating this class, reducing their limit offering, raising their attachment point or exiting the class entirely.

Product Liability remains a space where underwriters are willing to be aggressive, but there is a caveat. "We are seeing some product liability accounts coming back into the E&S space and carriers asking for more renewal rate," says Jarrett. "The message is that the space is trending toward hardening, although it's still not there yet."

Environmental is still competitive on CPL, small site business, and pollution/professional, thanks to new markets that have entered in recent years. The one exception seems to be New York exposures.

Public Entity is seeing stable market participation, despite heightened underwriting concern around several issues, including wildfires, CTE, and abuse/molestation claims.

The **Sharing Economy** remains dynamic yet challenging. "Many standard-lines companies claim to write sharing-economy businesses, but often lack the experience to do so. The E&S market is a key resource for brokers and buyers in this space," says Dillon.

MARKET PREPAREDNESS

Despite the challenges, retailers can capitalize on the 2019 casualty market. "Even though underwriters are retrenching, they still want and need to write business," says Jarrett. "The difference is that they are looking for improved terms on the business at rates where they feel will be profitable."

"This is the time for brokers to show their expertise," adds Dillon. "It's not just about saving money any more – it's about creating value for the client and solving problems."

Now more than ever, it's important that retailers work with a wholesaler that can help navigate the market. "Nobody wants to deliver bad news to a client," says Dillon. "At AmWINS, we have the established relationships and expertise to help retailers create and deliver effective insurance solutions."

RENEWAL PRICING TRENDS—CASUALTY RENEWALS, ROLLING QUARTERLY

Source: AmWINS casualty lines account data