STATE OF THE CASUALTY MARKET - Q4 2019

In a hardening market with time-strapped underwriters, class of business expertise and strong partnerships are key to success

Hardening in casualty continues in both primary and excess lines. There is continued rate pressure in the transportation, New York construction, long-term care and habitational segments, as well as marginal rate increase in products liability and non-habitational OL&T risks. Additionally, there is a significant volume of accounts being remarketed.

"Submission counts are up 25 to 35 percent with all carriers," says Tom Dillon, AmWINS Executive Vice President and National Casualty Practice Leader. "Underwriters are overwhelmed with submissions and need help in identifying the right opportunities."

REAL ESTATE

Apartment risks remain one of the toughest casualty segments and, as noted in Q3, more owners are looking to obtain insurance themselves rather than be included within a property management company's portfolio in order to save money. Third-party slip-and-fall claims plague this sector, along with assault and battery, depending on the area of the country the risk is located. Verdicts continue to go up, especially in areas like FL, NY, GA, CA and TX. Sadly, the jurisdiction in which the claim takes place is becoming the much larger factor in what carriers can do instead of the actual way in which the locations are managed.

Markets are also looking to place additional exclusions on accounts. "We are seeing more carriers wanting to restrict coverage by adding punitive forms such as habitability exclusions in California, action over exclusions in New York, and A&B sub-limits or exclusions in Georgia and Florida," says Corey Alison, Executive Vice President, AmWINS Brokerage of Georgia.

Another notable shift is in the amount of loss runs a carrier will require. Not too many years ago three to five years was sufficient, which then shifted to five years being mandatory. Now it is not unheard for a carrier to request six, eight or even ten years of loss runs. The need for loss runs on new acquisitions is also necessary in most situations now as well.

EXCESS & UMBRELLA

Claim severity is an ongoing issue in the excess space. Continued multi-million-dollar judgements driven by sympathetic juries, time-limit demand changes, and social inflation have played a huge role in carrier behavior. Unfortunately, positive changes in tort reform are not expected anytime soon.

There is shrinking capacity in almost all areas of excess, especially auto, wildfire and active-shooter exposed risks. Shrinking capacity has caused rates to increase across the board.

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It is not uncommon to see capacity being cut in half while premium remains at the expiring or higher. Carriers are also being strategic as to where they participate on excess towers and are cautious as to the amount of capacity they provide on those towers.

The segment most affected by this capacity limitation is the trucking space. “Many carriers have either completely exited the space, reduced their capacity and/or moved up the tower. This has created a market where we need more carriers to build large towers, as well as the need to access the London and Bermuda marketplace in order to complete placements,” says Tim Larocca, Executive Vice President, AmWINS Brokerage of the Midwest.

Additionally, we continue to see a lack of carrier interest in lead $10m for real estate accounts. Many RPG programs that were offering $100m to $300m in limits have evaporated, creating a large demand with few carriers eager to write the class in a lead position in the brokerage marketplace. Those willing to participate are looking for premium levels at multiples of the expiring RPG program pricing and sometimes rely on facultative reinsurance to support their capacity.

“Players in excess habitational consider the lead $10 million to be a working layer and are pricing for it similar to the underlying primary,” says Terrance Villar, Executive Vice President, AmWINS Brokerage of California.

SUCCESS FACTORS

In a challenging casualty market, submission quality is essential to success. “Underwriters are pressed for time. They want to get the full picture of an account up front and hear the story of why a risk is a good write,” says Dillon. “Phone conversations and face-to-face discussions are still the best way to sell a deal.”

Client preparation is vital as well. Insureds deserve to be properly advised of the rapid change in our marketplace. Delivering difficult news is not pleasant, but the quicker brokers can identify and address a situation, the better the outcome will be for clients.

RENEWAL PRICING TRENDS—CASUALTY RENEWALS, ROLLING QUARTERLY

Source: AmWINS casualty lines account data