


 THE 2019 MARKET: CHANGES ARE COMING

CONTACT

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As we head deeper into the first quarter of 2019, one thing is clear: changes are coming to the insurance marketplace that buyers and brokers alike will experience as the year progresses. Carriers are feeling pain, not just in commercial auto and problematic property sectors, but across many other areas of property and casualty as well. This is leading to a reaction that we've already begun to see and that was recently highlighted at the 2019 Wholesale & Specialty Insurance Association (WSIA) Underwriting Summit.

KEY TRENDS THAT RETAILERS SHOULD WATCH IN COMING MONTHS:

MARKET HARDENING. Even greater market hardening than we expected going into 2019 is being felt and is affecting nearly every line, not just property. Adverse loss development on casualty and some professional lines (D&O) is emerging. In property, adverse CAT loss development (primarily Irma losses), higher than targeted attritional losses, and valuation issues are impacting the entire sector, not just the typically problematic classes, such as woodworking and habitational.

TIGHTER TREATY RENEWALS. Not surprisingly, treaty reinsurance prices are on the rise as well, already seen in April 1 renewals being worked on. May 1 renewals are expected to demand even greater increases.

CARRIER RETRENCHING. In addition to increasing rate, carriers are deploying various approaches to improve results. This includes raising deductibles, tightening terms and conditions, and repositioning capacity on accounts.

REFOCUSSED DISTRIBUTION. As the market tightens, carriers are seeing an increase in the number of submissions from brokers, challenging their efforts to operate efficiently. As a result, some carriers are looking to decrease the number of brokers they do business with, choosing both wholesalers and retailers who are specialized and produce a consistent volume of high-quality submissions that generate strong quote hit ratios.

PROFIT EMPHASIS. Carriers are laser focused on underwriting profitability. Undoubtedly this shift is due in part to loss development. When poor investment returns were added to poor underwriting results, this generated industry combined ratios over 100%. Carriers are focused on improving underwriting results dramatically in 2019.

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LONDON CHANGES. London remains a key source of capacity for the E&S space. However, the London market is at a critical inflection point given the heightened focus of Lloyds' on syndicate performance. For retailers, it means uncertainty and a market in a state of potentially significant change.



In this insurance climate, negotiating with underwriters to ensure that the best deal is on the table is critical. Retailers need to partner with wholesalers who have a proven ability to build and maintain relationships with underwriters. Retail brokers also need to be in tune with carrier specific changes, get out to market early, and be prepared to re-market programs.

Even though underwriters are retrenching, they still want and need to write business. The difference is that they are looking for better business, better submission quality, and clear evidence of broker knowledge and specialization.

It is essential that retailers do business with a wholesaler that has its finger on the pulse of this dynamic market. Look for additional, detailed insight into both challenges and opportunities in our Q2 State of the Market publication in April.

