

2022 PROPERTY AND CASUALTY INSURANCE MARKET RATE FORECAST



To start on a positive note, we could see rate flattening and possibly decreases in some property and casualty lines in 2022. The word used too often in the insurance industry at the moment when talking rate is “deceleration”—a way of saying rates are still going up but not as fast as before. The deceleration we are seeing is a result of improved underwriting profitability in some lines and new entrants into the insurance marketplace increasing capacity and competition.

HOW CAN YOU GET THE BEST PRICING AND COVERAGE?

We suggest partnering with an insurance broker who has a proactive marketing and risk management strategy. Today, simply completing an application doesn’t cut it. The best way to position an organization—whether placing new business or renewing business—is to provide quality, detailed submissions with thoroughly completed applications, schedule face-to-face (or virtual) meetings with underwriters, and develop sound patient safety and risk management strategies. Additionally, identifying the right balance of risk retention and risk transfer is key to optimizing your insuring program.

HEALTHCARE MARKET OVERVIEW

We begin 2022 with greater stability and a strong desire by insurers to

retain well performing accounts. The insurance marketplace has always been two-tiered, but it is more prevalent today. Well-performing organizations with good loss experience and financials will see sufficient market capacity, competition for their business, and competitive rate. Loss- or financially challenged organizations will see a limited market competing for their business, larger rate increases than well-performing insureds, restricted terms, and reduced capacity or willingness to offer high limits of liability. We are seeing new entrants into the market for nearly all lines of coverage. This will help stabilize rate, increase competition, and eventually drive pricing down.

Property: +2 to +15% Heavily Dependent Per Location

It’s the first time since 2019 that we’ve seen single-digit increases. Insurers are focusing on quality underwriting and submissions, loss control, and retention of profitable accounts. All good news for non-challenged risks. Catastrophic coverage for earthquake and named storms will continue to see increases in 2022. In addition, certain regions of the country, such as areas subject to large fire loss, will struggle under increased rates and reduced capacity. To keep costs down, property owners may need to take larger deductibles and retentions,

consider self-insuring some risk. If inflation continues to escalate, it will drive up property values and result in premium increases, even if property rates stabilize.

Casualty: +5% to +15% Rate Increase for Favorable Loss Experience Facilities

Insureds with stable loss experience will continue to face competition for their business. Facilities with losses will see fewer companies offering to quote, deductible and retention increases, and less favorable terms and conditions. Frequency of nuclear verdicts are still on the rise.

Excess Liability/Umbrella: +10% to 30% Rate Increase with Restricted Limit Offerings

A new norm has emerged over the last two years. Lead excess insurers are only able to put up \$5M to \$15M limits of liability. Increased verdicts have reduced the attractiveness of this lead layer and thus carriers want to limit catastrophic exposure. Prior to 2020, it was not uncommon to see a lead underwriter put up \$25M in capacity. New entrants into the marketplace will help improve capacity and competition eventually



driving down rate. Though we are seeing a deceleration in rate, we still expect double digit increases in 2022.

Commercial Auto: +5% to +15% Rate Increase

The auto market continues to be unprofitable and thus we see rate increases continuing in 2022. On a national level, motor vehicle deaths were at a record high in 2021. Organizations with strong best practices and loss history are seeing minor changes to rates, whereas organizations without strong fleet management programs are seeing greater increases.

Management or Executive Liability

In 2022, we will continue to see these lines of coverage being challenged. Continued uncertainty with vaccine mandates, a record number of workplace class-action settlements in 2021, and a lack of new entrants into the marketplace are a few challenges facing these lines of coverage. Directors & Officers is seeing +5% to +40% increases, higher retentions, and more restricted coverage, though we are seeing flat to 5% for well-performing placements. Employment Practices Liability is seeing +10% to +30% increases. Fiduciary Liability, +5% to +70% heavily dependent on plan asset size. Crime/Fidelity, +5% to +15%, primarily driven by hacking and social engineering or false pretense claims.

Workers' Compensation (States other than Washington) Generally Flat Possible Decreases

Rates will be flat to +5% depending on the state(s) of operation. Workers' Compensation is one line of business where rates should remain relatively favorable in 2022, depending on the state in which employees are located. Since March 2020, insurers have become more conservative with certain classes of business, including hospitals, long-term care, and skilled nursing class codes where exposure to COVID-19 is highest. Concerns over presumptive legislation could impact rates upward in 2023.

Cyber Liability: +30% to +100%

Ransomware incidents are increasing dramatically in frequency and severity, which is resulting in higher premiums. Additionally, we are seeing decreased capacity, restrictive terms and conditions, increased retentions, coinsurance, and sub-limiting coverage. Organizations must demonstrate strong cyber risk controls or they will see very large increases.

Professional Liability: +5% to +25%

Rate increases will be largely dependent on the professional services provided. Technology errors and omissions will be impacted by the changing cyber marketplace, and carrier capacity for higher limits will continue to be a challenge. Consulting firms will see a greater focus on the scope of services, offering a broad range of services that could lead to more underwriting scrutiny.

SUMMARY

The market is improving in 2022 for many lines of coverage, rates are still increasing but slowing, and insurers may be finding their new equilibrium. There will be a strong focus for insurers to retain well-performing accounts that continue to demonstrate a culture of good risk management and patient safety. The insurance marketplace has always been a two-tiered system where well-performing accounts see more favorable pricing, terms and conditions, and challenged organizations see greater increases. The insurance industry has not been immune to the Great Resignation. Experienced underwriters are leaving for new opportunities, resulting in slower renewals and increased underwriting scrutiny of less experienced employees. From a positive perspective, movement of underwriters to new facilities may increase competition and capacity, which could drive down pricing.

The Partners Group has been providing insurance and risk management services for 40 years in the Pacific Northwest. Our team of experts focus on specific industries bringing a high level of knowledge and expertise. If you would like more information, we would love to have a conversation to further discuss the market conditions and the possible impact on your business.

Authored by:



Mike Arnold

Account Executive,
Commercial Insurance

425-467-3152

marnold@tpgrp.com