

Habitational Market Outlook



2022 introduced *significant fluctuation* into the insurance market.

Unpredictable circumstances converged, including fractured energy markets, 40-year-high inflation, interest rate hikes, war abroad, depleted capital, and Hurricane Ian, the second-most expensive natural disaster in U.S. history.

These factors contributed to the current hard market, which is part of a cyclical condition. Hang in there... We'll get through it together!

What's a Hard Market?

Characteristics include:

- Increased premium costs
- Stricter underwriting criteria
- Less financial capacity from insurers
- Restricted terms of coverage
- Less competition among insurance carriers for new business

What Causes a Hard Market?

- For 6 of the past 10 years, carriers have paid more in claims than they received in premiums.
- Inflation, supply chain issues, and widespread labor shortages continue.
- Catastrophic (CAT) losses – floods, hurricanes, wildfires and other natural disasters – are increasingly common and devastating. Years of such costly events have compounded losses for insurers, driving up the cost of coverage overall, especially for commercial property policies.
- Here on the East Coast, the 2022 hurricane season recorded 14 storms, causing more than 200 fatalities, costing at least \$110 billion in damages and affecting multiple states along the Atlantic coast.

How is it Affecting Specific Coverages?

Property – Coastal property is increasing on average from 15-40% with stricter underwriting guidelines and with larger deductibles.

Liability – Stricter guidelines for rentals, and growing communities increases averaging 5-15%.

Directors & Officers – Average increases of 10% due to social inflation and the litigious attitude of society.

Umbrella – Underwriting guidelines have tightened and we are seeing programs leave the market.

What Can I Do Today to Get Through the Hard Market?

- Focus on addressing the factors you can control.
- Proactively perform regular maintenance.
- Bolster your risk management efforts.
- Publish risk management techniques to owners to help prevent claims.
- Use your insurance agent as a resource. Check in frequently to be sure your coverage is up to date.

What's Next?

The economy and markets continue to evolve, and we monitor everything closely to offer our clients the best protection.

Stay Optimistic! The market is cyclical; we're just going through a difficult phase.



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