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What to Expect from the Commercial Insurance Market in 2020

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Ongoing rate increases and reductions in capacity are taking shape in most property/casualty commercial lines in the fourth—and for some, will continue into the new year, according to a recent report from broker USI Insurance Services.

Only one line—loss sensitive workers' compensation accounts—showed lower rate forecasts for the fourth quarter vs. midyear, while seven others stayed the same.

The other 20 lines, including all property lines, general liability, umbrella and cyber, had indications of higher rate changes for the fourth quarter than at midyear, according to USI's [Q4 2019-2020 P&C Insurance Market Outlook Report](#) that looks at 28 different product lines along with forecasts from a prior midyear update compared to observations of fourth-quarter pricing.

USI Rate Forecast by Product Line

Product Line	Midyear Update	Q4 2019-2020
Property Non-Catastrophic <i>Good Loss History</i>	Up 10%	Up 10% to 20%
CAT Property <i>Minimal Loss History</i>	Up 10% to 40%	Up 25% to 40% +
CAT or Non-CAT Property <i>Poor Loss History</i>	Up 10% to 40% +	Up 30% to 60% +
Primary General and Products Liability	Flat to up 15%	Up 5% to 10%
Primary Automobile Liability <i>Fleet Lower than 200/Good Loss History</i>	Up 5% to 10% +	Up 10% to 15%
Primary Automobile Liability <i>Fleet Lower than 200/Poor Loss History</i>	Up 15% +	Up 15% to 25%
Umbrella & Excess Liability <i>(Middle Market Buyers)</i>	Up 5% to 20% Layers possibly reduced	Up 10% to 25% (Factors in contraction of limits)
Umbrella & Excess Liability <i>(Risk Management Buyers)</i>	Up 5% to 20% Layers possibly reduced	Up 15% to 30% + (Factors in contraction of limits)
Directors and Officers Public Company	Up 10% to 30% +	Up 25% to 50% 100% + if "troubled"
Private Company Management Liability	Up 5% to 10%	Up 5% to 20% 20% is claim dependent
Crime	Down 5% to up 5%	Up 5% to 25% Due to Social Engineering
Network Security & Privacy (Cyber Insurance)	Flat to 5%	Flat to 10%

SOURCE: USI COMMERCIAL PROPERTY & CASUALTY MARKET OUTLOOK - Q4 2020

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Among the report's other insights:

In property insurance lines, wildfire is no longer a throw in.

Three market leaders, AIG, FM Global and Lloyd's of London are highly scrutinizing their North American property business impacting capacity, rates, and coverage.

In casualty insurance, the firming of the insurance market for the majority of coverage lines is not being driven by capacity constraints but rather because capital is being deployed much more conservatively and selectively.

Unlike commercial automobile liability, for which the market has been firming over a three or four-year time frame, for primary general/products liability and umbrella/excess liability, the market firmed rapidly beginning in fourth-quarter 2018. Prior attempts to raise rates in prior years were short-lived but the current environment of more restrictive risk selection, tighter underwriting standards and reduced competition is turning out to be much more uniform, prolonged and severe than anticipated.

Markets are increasingly unwilling to write primary liability lines on a standalone basis without workers compensation, especially for larger accounts.

Deteriorating casualty loss trends characterized by increased frequency of severity losses has caused markets to exit certain lines, reduce capacity and raise rates considerably. These activities cut across all industries and classifications regardless of tenure with markets or past loss history.

The demand for casualty rate increases was not expected to slow dramatically for the end of 2019 and into the third- or fourth-quarter of 2020.

USI has seen a reduction in average lead umbrella capacity of \$25 million fall down to \$15 million or less, with no corresponding decrease in rates and the reallocation of capacity higher up in towers.

Excess markets are walking away from what they view as below-market pricing; new market capacity is not entering.

In public directors and officers liability (D&O), USI said saw more upward rate movement in the first three-quarters of 2019 than it has witnessed in the past 16 years. "We have clearly now transitioned into a carrier-dictated market," the report says.

In cyber, the flat-to-10 percent rate change indications shown on the chart above, aren't the rule for large companies or prime targets. For those over \$1 billion in revenue and for insureds in "challenging classes" like retail, hospitality, health care and financial institutions, USI has seen increases in premium of up to 20 percent and SIR increases of up to 50 percent—and the broker said that would continue for the balance of 2019 and through the first half of 2020.

Source: USI

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