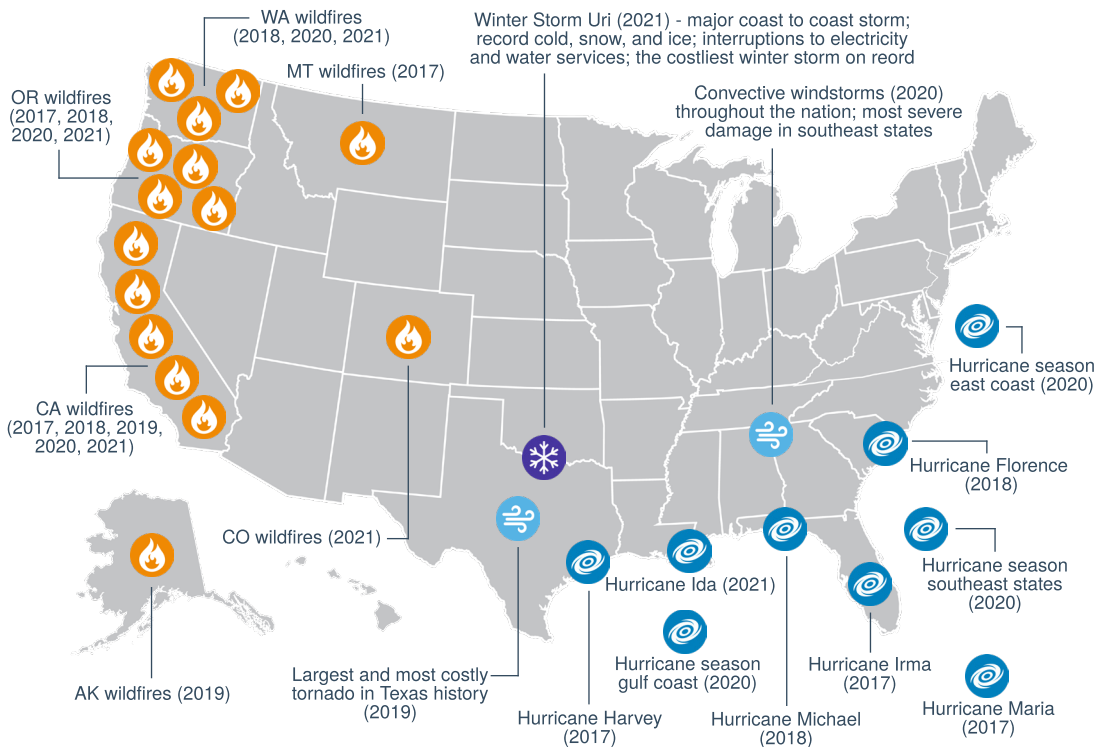


# INSIGHTS INTO THE HARDENING PROPERTY MARKET

Prior to 2017, the U.S. property market was soft with historically low valuation. Prices were competitive, and coverage was easy to come by. However, the significant rise of natural disasters across the nation over the past 5 years has seen a continual hardening of the market. While the largest U.S. claim losses have historically been due to hurricanes, other events have also become significant contributing factors. The western region has incurred its most costly wildfire expenses to date, and common localized events, particularly convective windstorms, are also incurring higher expenses and impacting the market.

## NOTABLE U.S. NATURAL DISASTERS 2017-2021



### 2017

- Hurricane Harvey (\$125B)
- Hurricane Maria (\$91.6B)
- Hurricane Irma (\$50B)
- Wildfires (CA, OR, MT) (\$24B)

### 2018

- Hurricane Michael (\$25B)
- Hurricane Florence (\$24B)
- Wildfires (CA, OR, WA) (\$22B)

### 2019

- Wildfires (AK, CA) (\$4.5B)
- Convective Wind (including the largest and most costly tornado in TX history at \$2B)

### 2020

- Hurricanes (southeast states, east coast, gulf coast) (\$60B)
- Wildfires (CA, OR, WA) (\$16.5B)
- Convective Wind (\$4.4B)

### 2021

- Winter Storm Uri (\$195B)
- Hurricane Ida (\$75.25B)
- Wildfires (CA, CO, OR, WA) (\$10.6B)

## Additional Contributing Factors

- 
**The Rise of Social Inflation**  
 Impact to the insurance market begins in 2019, due to increase in litigation, larger jury awards, and the heightened use of public adjusters for the claims process.
- 
**Impacts of Claim Inflation**  
 Acceleration in 2019, due to undervalued schedules.
- 
**COVID-19**  
 Global pandemic creates significant losses.
- 
**Investment Income Loss for Insurance Carriers**  
 P&C insurers incur significant capital loss in investments in 2020, after having significant gain the year before.
- 
**Focus on Insurance to Value**  
 Starting in 2020, carriers become more discerning about valuation and critical of schedules that do not properly reflect the exposure. Social inflation continues to be a key focus of carriers.
- 
**Population Increases**  
 More people moving to coastal and other catastrophe-prone areas creates increased population and material wealth in these areas, resulting in increased claim costs when natural disasters strike.

## LOOKING AHEAD

While there's no lack of carriers in the marketplace, the maximum limit carriers are willing to offer has shrunk significantly. With less capacity output, multiple shared and layered solutions have become more common and are routinely needed to replace capacity.



### How to Navigate the Hardening Market and Create a Strong Portfolio

- **Mitigate Risk** - Help insureds understand that proactive measures can help with their renewal. Insureds who are on top of issues like loss control, routine property maintenance, and reporting the safety features and protocols they have in place help make their risk more appealing to markets.
- **Risk Retention** - Ask insureds to revisit their ability to retain risk by evaluating acceptable deductible structures and the lowest limits they can reasonably take on. It's also important to help insureds understand they should do everything possible to close open claims.
- **Quality Submissions** - Great submissions get faster attention. Differentiate your insured by including all secondary information that helps create a clear picture of their business and risk. It's also important to get submissions to the market at least 30 days out.
- **Partner with a Specialist** - Partnering with an industry specialist who truly understands the insured's class is critical. Specialty wholesalers know the ins and outs of the market and will have strong and established relationships with carriers. They are equipped to provide retailers with the best tools available to properly address each risk and have the ability to negotiate with carriers on your and your insured's behalf.