



## NEWS OF VALUE

### INSURANCE MARKET CONDITIONS UPDATE

As we are nearing the midpoint of 2019, we thought it would be helpful to let you know the outlook for property and casualty (P&C) insurance premiums for the remainder of 2019. Our experienced staff is dedicated to staying on top of events and sharing that knowledge with our clients.

What should we expect regarding insurance premiums?

Despite experiencing five of the 15 costliest global catastrophes in the past two years, coupled with multiple large wildfires and other major loss events, which in 2017 alone caused more than \$200 billion in total insured damages, the P&C industry remained stable in 2018, resisting significant and sustained market-wide rate increases. While the majority of P&C insurance buyers faced modest rate increases in the low-single digits, the steepest hikes were isolated to certain catastrophic property lines and a few liability lines.

Although it is impossible to predict with full certainty what the future holds, USI expects rate trends to continue through 2019, although the duration and magnitude will be difficult to sustain and may flatten out or possibly reverse for some lines. Most insureds are expected to experience some increase in premium depending on the coverage line, program structure, loss history, and market appetite.

Working with an insurance professional who has robust market relationships with national and regional carriers will help to minimize increases. Also, line of business, risk evaluation and loss control (including a strong emphasis on underwriting discipline by the carriers), and brokerage expertise will undoubtedly play significant roles in determining actual premium changes. Factors such as appropriate building replacement cost valuation, loss history, property maintenance/improvements, and increased limits of insurance will of course have an impact on premium increases as well.

What are the highlights for 2019?

- The P&C industry is well capitalized, and the diversified global reinsurance market will continue to spread the impact of catastrophic losses out in an efficient manner.
- Alternative capital, such as insurance linked securities, continue to grow year over year and is expanding into casualty and other nonproperty lines, keeping pressure on both traditional insurance and reinsurance margins.
- The pace of insurer consolidation will continue but is not likely to reduce competition in most lines in 2019.
- Insurance companies are benefiting from years of investment in data and analytics, robotic automation, mobile solutions, and other technologies.
- Rising interest rates, lower tax rates, and adequate loss reserves will bolster insurance companies' net investment income.





What are the challenges ahead?

- Liability loss cost trends are still outpacing rate increases, which may be unsustainable in the long term.
- Changing social perspectives and a growing awareness of sexual misconduct over the past year have led to more reported accusations and heightened dialogue over equal pay, wrongful termination, and harassment.
- Cyber risk including high profile data breaches and imposter fraud are now common events, increasing board-level focus on cyber, crime, and reputational risk loss mitigation.
- The steady uptick in punitive damage awards and emerging tactics such as legal financing trends are having an increasingly detrimental impact on the severity of liability losses.
- The National Flood Insurance Program and Terrorism are key legislative issues to watch in 2019 and 2020.

What can community association managers and board members do?

Community association board members and managers should define their insurance and risk management needs, ideally by working with an insurance professional knowledgeable in establishing insurance goals, and perhaps with their attorney and accountant.

Now is an ideal time to voluntarily consider higher deductibles, not only to mitigate premium increases, but as an affirmative action to reduce claim activity and maintain continued insurability in the standard insurance marketplace. Experienced insurance professionals can help set realistic expectations and limit out-of-pocket expenses.

Does risk management matter?

Community associations should practice effective risk management strategies. Loss history is of great concern to an insurer, especially with large numbers of small losses. The community association that can show an insurer a serious effort at pinpointing potential risks and controlling exposures, such as by eliminating or transferring them or by increasing deductibles, makes a better insurance impression. More information on risk management is available on the USI Risk Management Center ([www.usi.com/rmc/](http://www.usi.com/rmc/)).

Also, all community associations should have a disaster plan that identifies and quantifies the physical and financial resources necessary to maintain operations after a disaster. The plan should detail the steps necessary to avoid, reduce, or transfer loss exposures. This disaster plan should include a section on how to respond to terrorism.

Where should I go for more information?

In times of uncertainty, community association board members and managers should carefully consider the advice of the insurance agent and/or company with which they work. The professional insurance agent can provide risk management advice to help plan for premium and/or deductible changes and suggest the best way to deal with current events.

If you have any questions or need further information, please contact one of the following:

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