

2023 Insurance Market Update

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I've been in the insurance game for quite a few years, so it's no surprise I get asked about my predictions when it comes to the market. Unprecedented natural disasters, the Ukraine-Russian conflict, the COVID-19 pandemic, interest rate hikes, supply chain disruptions, and the labor shortage have become the perfect storm for insurance rates. It's been volatile – with some lines seeing decreases and others experiencing massive hikes.

Below is a nationwide analytical prediction of rates for 2023; what happens in the economy and the world will heavily affect whether we see the trends continue into 2024.

LINE OF COVERAGE	PRICE FORECAST
Commercial property	CAT-free: +10% to +15% CAT-exposed: +15% to +25%
General liability	Overall: 0% to +10%
Commercial auto	Overall: +3% to +15%
Workers' compensation	Overall: -5% to +5%
Cyber	Overall: +25% to +100%
Directors and officers liability	Private/nonprofit entities: -10% to +7.5% Public companies: -15% to +2.5%
Employment practices liability	Overall: +10% to +15%

Source: Zywave

In Connecticut – specifically in the construction market, we've seen nice decreases in Workers' Compensation over the past few years, and I anticipate that to level out or start experiencing increases. The carriers are now seeing the fallout from the pandemic and labor shortages – so I anticipate rates will increase over the next 12-18 months.

Some of the biggest increases have been in the management liability sectors – such as Directors and Officers, Errors and Omissions, and Professional and Employment Practices Liability lines. Again, the current labor shortages, increase in temp workers, an uptick in social justice movements and regulatory scrutiny has increased the number of lawsuits, pushing up premium rates. We've also experienced double-digit increases in Cyber Liability premiums because hackers have gotten savvier. There has been an increase in ransomware and extortion claims and the trend isn't slowing down which will keep prices up.

The big news is Property Insurance. Rates are taking a hike nationwide...and then there is Florida.

Property rates nationwide are up, but the forecast is far more severe for you members who own property in Florida, where things are very volatile.

Florida property owners were warned that rates were expected to spike back in 2020 – and those predictions not only came true but recent reports show that trend isn't slowing down, with increases up to 40% in 2023. Thank you, Hurricane Ian – where losses are expected to exceed 100 billion dollars, proving the costliest hurricane in Florida's history. The state is aggressively trying to stabilize the market with recent government reforms, but many are leery it won't be enough.

Connecticut will also see property insurance price increases, especially for those with prior claims history and/or in a "Cat Zone" – or an area prone to catastrophic events and coastal areas. The good news is that I don't expect those price increases to be near what Florida sees.

What property owners need to be acutely aware of

It's not just rate hikes; it's the increase in the "Insurance to Value or ITV" or "Replacement Cost" of property that owners need to watch. Carriers are looking at ITV on all properties and we will see significant increases between 20-30% depending on the location. Supply and labor costs are driving the increases, and property owners need to do the due diligence of looking at their current replacement cost and working with their broker to ensure it is accurate.

On the commercial side, being underinsured at the time of a loss could cost you a hefty co-insurance penalty that will be a lot more money than the increase in the ITV premium. I strongly urge you to make this a priority in order to protect your bottom line.

Also, this a gentle reminder to look at your personal insurance and the replacement value on your home. Although you won't get a co-insurance penalty, you also could be left with a hefty rebuild cost if you aren't carrying enough property coverage.

Although uncertainty remains, all of us except Florida property owners will see a bit of reprieve from massive insurance rate increases. As always, there are ways to contain costs through risk mitigation – insurance underwriters love businesses that are proactive in ensuring they remain loss-free. I advise working with your broker to implement safety protocols for your team and IT systems, check that property values are accurate and do an in-depth review of your risk portfolio – where are you under or perhaps over-insured? You'll gain peace of mind and a healthier bottom line. ■