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Commercial Lines Insurance Market Update

Second Quarter 2024

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Introduction

Insurance buyers enjoyed favorable market conditions across most segments of the commercial lines market in the first half of 2024. D&O and Cyber led the way in premium decreases, even benefiting companies with claims activity. The Property market is also improving; while rates are still rising, the increases are significantly smaller. Companies with good loss experience and high-quality risk management might even see a flat renewal. However, on the Casualty side, auto, general liability and umbrella placements remain challenging, with buyers likely facing rate increases in these lines.

In this Q2 2024 Commercial Lines Insurance Market Update, we review insurance rates and pricing trends across various segments. Read on for more details by line of coverage.

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Commercial Market Update Snapshot: Q2 2024

Good news for D&O and cyber insurance buyers: Premiums continue to decrease in Q2. The property and casualty markets are still seeing rate increases, although the property market has softened in comparison to past years. On the casualty side, primary casualty insurers are seeking rate increases on GL/auto for the 27th consecutive quarter to keep up with loss trends.

D&O

With an oversupply of insurance capacity and only a modest uptick in IPOs, insurers are still competing for public D&O renewal business, driving rates and retentions down for most companies.

Property

The property market continues to soften in 2024. Carriers remain disciplined and are looking for opportunities to grow line share and write new business. Hurricane season is upon us, and all parties are keeping a close eye on events.

Casualty

The casualty market remains challenging despite positive signs for certain lines of coverage. Auto, GL, & lead umbrella markets continue to experience rate increases due to adverse loss trends. WC has been consistently profitable and high limit excess is competitive, with robust capacity.

Cyber

Systemic attacks are causing insurance carriers to hold the line on pricing. But competition between carriers continues to drive small rate decreases.

D&O: Market Update

OUR POV

With an oversupply of insurance capacity and only a modest uptick in IPOs, insurers are still competing for public D&O renewal business, driving rates and retentions down for most companies.

MARKET TRENDS

- Several market-leading carriers are seeking pricing discipline, but new capacity continues to put downward pressure on overall rates.
- While an uptick in IPOs in the first half of 2024 is an encouraging sign, there has been a discernable shift with investors focused on profitability and financial stability. This increased scrutiny means that only companies with strong balance sheets and growth records will find an open window to go public in the near term.
- From a macroeconomic perspective, global inflation continues to cool, dropping to a 1.9% rate in the second quarter in the US. If the Fed starts to lower interest rates, investors are expected to move more capital into equity markets in search of higher returns and growth opportunities.
- And while the labor market remains robust, geopolitical challenges (wars in Ukraine and the Middle East, pivotal upcoming elections) will continue to loom large throughout the year.

CONTEXT FOR CURRENT TRENDS

- In 2023, the annual aggregate settlement dollar amount paid out was the highest it has been in 10 years. There were 93 settlements totaling $3.4B in 2023, a 42% YOY increase. Through the first half of 2024, there have been 41 settlements totaling $2.1B, equal to the dollar amount paid out in 1H 2023.
- The likelihood of a public company being sued reached a record high of 5% in 2019, when 268 lawsuits were filed. The total number of suits declined each year from 2020–2022 but rose in 2023 when 189 cases were filed, a 12% YOY increase. In 1H 2024, 104 cases were filed, 10% above the 1H 2023 number.
- Litigation is being driven by new and increased exposures, including cyber (data breach), privacy oversight (GDPR), derivative, bankruptcy and regulatory concerns, ESG issues such as climate change, and COVID-19.
- Derivative actions are on the rise, with notable settlements (Warner Bros. Discovery, Paramount Global, Cardinal Health, PG&E, Renren, Boeing, First Energy, American Realty, etc.) tapping “A Side-only” insurance.

3.4%
Likelihood of Being Sued
(first increase since the 2019 all-time high)

504
Number of Open SCA Cases Pending

$13M
2023 Median Settlement
(10-year average of $9.5M)

$37.1M
2023 Average Settlement
(10-year average $29.6M)

Property: Market Update

OUR POV

The property market continues to soften in 2024. Carriers remain disciplined and are looking for opportunities to grow line share and write new business. Hurricane season is upon us, and all parties are keeping a close eye on events.

MARKET TRENDS

- 2024 continues to be a buyer's market.
- Competition on shared and layered programs is resulting in favorable rate changes.
- We are achieving broader coverage on both single carrier and shared and layered programs.
- Valuations are stabilizing; however, the focus remains for under-reported property schedules.
- Risk quality, risk improvement, and favorable business continuity plans drive better outcomes.
- Analysts are forecasting 22–26 Named Storms in the Atlantic in 2024, compared to an average of 14 (1991–2020).

CONTEXT FOR CURRENT TRENDS

- Pre-2024, carriers captured growth from rate increases combined with increases in total insured values. Throughout 2024, we have not seen significant increases in insured values. Increased capacity and carriers' aggressive growth goals are generating competition and leading to favorable renewals for clients.
- Of the ~24 Named Storms projected in the Atlantic, six are anticipated to be Major Hurricanes compared to an average of three (1991–2020). The big question is: "If a major hurricane occurs, will it make landfall in a heavily populated area?"
- Secondary CAT perils and exposure to SCS are a material focus for underwriters. The frequency and severity of these events begs the question as to whether or not they should be considered "secondary."
- Carriers continue to emphasize relationships, risk quality/improvement, and differentiation when compared to the prior year renewal.

Q3 2024 PROJECTED RATE CHANGES

0%–2.5% Non-CAT accounts with favorable loss history	**0%–5%** CAT accounts with favorable loss history
10%+ Non-CAT accounts with unfavorable loss history	**15%+** CAT accounts with unfavorable loss history

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Cargo and Stock Throughput: Market Update

OUR POV

Client-friendly conditions continue into Q3 2024. New capacity and lack of large market claims is resulting in hunger for premium and growth for Cargo and STP underwriters.

MARKET TRENDS

- Markets are taking an aggressive stance on new and renewal business, particularly on larger accounts.
- There is a lot of underwriter movement, with more new entrants to the Cargo market announced for 1/1.
- More competition, along with new markets not having a "renewal" book and looking at business as "new," has meant carriers have had to push themselves more on renewals, even offering reductions on larger accounts where values have increased.
- We're beginning to see a return of appetite of the less popular coverages, such as retail exposure and storage-only exposure.

CONTEXT FOR CURRENT TRENDS

- New entrants and the continued desire of incumbents to grow market share is generating competition, which leads to more coverage at a better price.
- Fortunately, the 2024 hurricane season has not yet been as active as feared and the market is therefore largely profitable; CAT rating remains stable.
- While the collapse of the Baltimore Francis Scott Key Bridge will have severe financial implications for (re) insurers, the true impact is not yet known and does not appear to have yet affected rating.
- MGA capacity continues to grow. New teams at Unicorn as well as at new MGA Rubicon are both looking to commence underwriting from 1/1.
- MGAs typically have less growth restrictions than Lloyd's syndicates and are therefore hungry for premium and business.
- Insurers are keeping a watchful eye on events in the Middle East, as conflict in the region could have a significant impact on oil prices and a knock-on effect on the global economy.
- As global conflicts in Ukraine/Russia/Belarus/Israel/Gaza continue, certain carriers are still offering coverage in these areas, at a healthy price.

Q3 2024 PROJECTED RATE CHANGES

0%	10%–15%
Accounts with favorable loss history and a focus on risk management	Accounts with unfavorable loss history or those that do not meet rate adequacy for underwriters

Casualty: Market Update

OUR POV

The casualty market remains challenging despite positive signs for certain lines of coverage. Auto, GL, & lead umbrella markets continue to experience rate increases due to adverse loss trends. WC has been consistently profitable and high limit excess is competitive, with robust capacity.

MARKET TRENDS

- Primary casualty insurers continue to seek rate increases on GL/auto overall for the 27th consecutive quarter to keep up with loss trends.
- High interest rates and insurer investment income is keeping workers' compensation competitive and profitable. Wage and medical inflation, the 24/7 exposure of remote work, and an increase in claim frequency with a return to offices may impact rates over time.
- The high excess market remains stable and competitive, given healthy capacity. Lead umbrella insurers continue to achieve rate increases due to sustained large claim activity and limited competition.

CONTEXT FOR CURRENT TRENDS

- Large verdicts and liability settlements continue to impact the market as carriers experience adverse development on historical claims. Legal system abuse, litigation financing, and creative plaintiff tactics continue to put upward pressure on settlements as insurers rush larger payouts to avoid unpredictable juries.
- Organizations with large auto fleets, high-hazard products, or significant premises exposures are facing difficult umbrella renewals. Using buffer layers to increase attachments can help mitigate premium increases.
- Anchoring auto liability, which has experienced rate increases for over 50 straight quarters, to a profitable line of insurance like workers' compensation may improve results in a difficult market facing rising claims costs.
- Enhanced technology in vehicles, coupled with supply chain issues, is resulting in increased auto physical damage claims. Longer repair times are also affecting supplemental claim costs like rental car reimbursement.
- Carriers continue to refine coverage terms and conditions. Insurers seek to apply exclusions for biometric data privacy, abuse and molestation, assault and battery, PFAS (forever chemicals), and sublimits for liquor liability.

By-Line Q2 2024 Rate Changes Ranged from -2.2% to +9.0%

	Auto	WC	GL	Umbrella
Q2 2024	9.0%	-2.2%	5.1%	7.2%
Q1 2024	9.8%	-1.8%	4.1%	7.0%
Q4 2023	7.3%	-1.8%	3.8%	7.6%
Q3 2023	8.8%	-2.0%	4.2%	7.4%
Q2 2023	10.4%	-0.7%	5.2%	8.1%

Source: CIAB Q2 2024 Rate Survey

Cyber: Market Update

OUR POV

Systemic attacks are causing insurance carriers to hold the line on pricing. But competition between carriers continues to drive small rate decreases.

MARKET TRENDS

- Systemic events in recent months (Crowdstrike, Change Healthcare, and CDA outage) are pushing losses higher for most carriers. Many are trying to hold the line on pricing and not provide decreased premiums.
- Competition between carriers remains high, which itself can result in lower premiums and rate decreases.
- The level of underwriting scrutiny can vary significantly across different insurers but remains high.
- Coverage restrictions remain for some:
  - Non-breach privacy (GDPR, CCPA, BIPA)
  - Dependent business interruption and system failure—largely sub-limited
  - “Systemic risk” exclusions

CONTEXT FOR CURRENT TRENDS

- Systemic events—a single attack or outage that ripples throughout many more downstream customers—have driven insurance carrier loss ratios higher.
- Early reports on reinsurance renewals coming this fall suggest that many carriers will be holding the line on rate decreases in response to these increasing loss ratios.
- Carriers have restricted wrongful collection coverage in response to claims activity.
  - Insurance buyers must demonstrate proper controls around obtaining consent and providing adequate disclosure to obtain non-breach privacy coverage.
- Artificial intelligence (AI) risk is a hot topic among clients—but the use of AI has minimal impact on overall cyber risk. There are privacy considerations to keep in mind, and the use of AI can impact the severity of your loss, but underwriter questions on this topic remain infrequent.

CYBER LOSS STATISTICS

$400M–$1.5B
Estimated insurable losses due to Crowdstrike event
Source: CyberCube

$2.3B–$2.45B
Estimated loss due to Change Healthcare ransom attack
Source: United Health Group

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