



# Commercial Lines Insurance Market Update

## Fourth Quarter 2024



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Insurance Services | Risk Management | Employee Benefits



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## Introduction

The commercial insurance market remains a buyers' market across all sectors except for casualty. Within the casualty market, workers' compensation stands out as the only bright spot, with rates continuing to decline. In contrast, rates for auto, general liability, and umbrella coverage are on the rise, largely driven by legal system abuse, resulting in substantial settlements that are stressing these products.

Despite the recent wildfires in Southern California, we expect little impact to the property market, with rates continuing to decrease unless additional high-cost catastrophes emerge later in the year. Meanwhile, downward pressure on both directors and officers (D&O) and cyber insurance rates is anticipated to persist for the foreseeable future.

In this Q4 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.

# Woodruff Sawyer

## Commercial Market Update Snapshot: Q4 2024

Market conditions remain favorable across most sectors of commercial insurance. While the casualty market continues to face challenges, workers' compensation stands out with ongoing rate decreases. The property market was largely unaffected by the Southern California wildfires, and capacity remains strong in the D&O and cyber insurance segments.



### D&O

Insurance capacity remains plentiful, and competitive market conditions will continue to enable most D&O buyers to secure favorable pricing, retentions, and coverage terms.



### Property

Most property carriers experienced a profitable 2024. Competition in the market continues, leading to additional capacity. While we still see an increase in the frequency and severity of events, carriers have been able to withstand losses.



### 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.



### Cyber

Premiums continued to decrease throughout 2024 due to competition in the market. Claims activity, specifically for privacy claims, remains constant, making tailored coverage increasingly important.





# D&O: Market Update



## OUR POV

Insurance capacity remains plentiful, and competitive market conditions will continue to enable most D&O buyers to secure favorable pricing, retentions, and coverage terms.

## MARKET TRENDS

- The new Trump administration’s policies will create both opportunities and challenges for companies. Deregulation and lower tax rates will benefit business conditions, but companies may face hurdles from potential tariffs, trade disputes, and immigration policy—all of which could affect labor availability and financial performance for companies in certain industries.
- Positive signs indicate IPO and M&A activity will rebound in 2025. This trend is driven by increased investor confidence, projected deregulation, and improved market stability.
- Interest rates, a key factor impacting corporate and economic growth, will remain a central focus. The Fed has signaled two rate cuts in 2025, which contrasts with the administration’s push for quicker and more frequent reductions.
- Geopolitical challenges, including the wars in Ukraine and the Middle East, remain high. Any increased tension or unexpected developments will be unwelcome for companies looking to navigate an already complex global landscape.

## CONTEXT FOR CURRENT TRENDS

- In 2024, the annual aggregate settlement dollar amount paid out was the highest in the history of SCAs. There were 80 settlements totaling \$4.1B, and the average (\$52M) and median (\$16M) settlement amounts are all-time high amounts. In 2024, 44% of settlements were over \$20M, the highest percentage ever.
- The likelihood of a public company being sued reached a decade-high of 5% in 2019, when 268 lawsuits were filed. The total number of suits declined each year from 2020 to 2022 but rose in 2023 and again in 2024 when 189 and 206 cases were filed respectively, a 9% year-over-year increase.
- 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 (Walmart, Warner Bros. Discovery, Paramount Global, Cardinal Health, PG&E, Renren, Boeing, First Energy, American Realty, etc.) tapping “A Side-only” insurance.



**3.8%**

**Likelihood of Being Sued**

(Second increase since the 2019 all-time high)



**506**

**Number of Open SCA Cases Pending**



**\$16M**

**2024 Median Settlement**

(All-time high amount, 10-year average \$11M)



**\$52M**

**2024 Average Settlement**

(All-time high amount, 10-year average \$32M)

# Property: Market Update



## OUR POV

Most property carriers experienced a profitable 2024. Competition in the market continues, leading to additional capacity. While we still see an increase in the frequency and severity of events, carriers have been able to withstand losses.

## MARKET TRENDS

- Rate reductions are being achieved on most renewal programs.
- Most property carriers will recognize a profit in 2024.
- Carriers are expanding lines on programs, in addition to expanding appetites.
- There are opportunities to increase coverage at renewal at little or no additional premium.
- Severe Convective Storms, such as tornados, continue to be a focal point for carriers.
- Valuation remains a concern, but trend factors are 1%, on average.
- Risk quality, risk improvement, and favorable business continuity plans drive better outcomes.

## CONTEXT FOR CURRENT TRENDS

- Property carriers' profitability, desired growth, and a lack of major catastrophic events led to increased competition throughout 2024. We expect that to continue in 2025.
- Shared and layered programs are seeing much greater rate reductions than single carrier placements due to the removal of expensive capacity and carriers' desire to expand lines, generating competition and leading to better outcomes.
- Carriers are more willing to offer coverage enhancements, in line with insureds' exposures. However, insureds wanting to reduce their deductibles will face significant challenges.
- Despite the terrible wildfires in Southern CA, we do not anticipate a major impact in the commercial property market.
- A strategic plan, comprehensive marketing effort, and engagement from insureds will lead to the best outcomes.

## Q1 2025 PROJECTED RATE CHANGES

**-7.5%**

Non-CAT accounts with favorable loss history

**-5%**

CAT accounts with favorable loss history

**5%+**

Non-CAT accounts with unfavorable loss history

**12.5%+**

CAT accounts with unfavorable loss history

# Cargo and Stock Throughput: Market Update



## OUR POV

Following a profitable 2024 for most cargo and stock throughput insurance carriers, we continue to see a “softening” of rates and appetite for growth. Expanded coverage can also be achieved due to competition.

## MARKET TRENDS

- Markets are in growth mode and taking a more aggressive stance on both renewal and new business.
- At the start of a new year, carriers have not filled CAT aggregates/exposures and are open to look at vast amounts of new business.
- There is a continued widening of coverages and appetites due to fierce competition.
- Carriers are offering flat renewals or rate reductions on renewals with good loss records.
- Carriers continue to be cautious of Nat CAT events, particularly tornados and wildfires. CAT rates remain stable for now.

## CONTEXT FOR CURRENT TRENDS

- 2024 was a profitable year knock-on for the cargo and STP market.
- New syndicates and MGA capacity in London are fueling competition in rating and coverages, making it a good time for insureds to market programs.
- Fortunately, despite hurricanes Milton and Helene, the 2024 hurricane season was relatively calm, and underwriters have not been affected by big losses.
- Reinsurance rates remain stable thanks to this relatively quiet hurricane season and profitable year for most carriers.
- The devastating wildfires in Southern California fortunately do not appear to have badly affected the cargo/STP market. It will be nearly a year before there is any knock-on effect with reinsurance rates, but it is believed these will not be heavily impacted either.
- Insurers continue to diligently analyze catastrophe exposures and insureds’ building constructions and protection measures.
- There is a strong focus on wildfire protection and tornado/windstorm preparedness plans/protections due to recent events. Despite this additional focus, when good information is provided, CAT rating remains stable.

## Q1 2025 PROJECTED RATE CHANGES

**0% to -5%**

Accounts with favorable loss history and a focus on risk management

**7.5% to 10%**

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.

## MARKET TRENDS

- Primary casualty insurers continue to seek rate increases for the 29th 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 in time.
- The high excess market remains stable and competitive, given healthy capacity, but reduction in limit deployment is prevalent. Lead umbrella insurers continue to achieve rate increases due to sustained large claim activity and limited competition.

## CONTEXT FOR CURRENT TRENDS

- Large jury verdicts and liability settlements continue to impact the market as carriers experience increasing loss costs and adverse claims development. Legal system abuse, litigation financing, and creative plaintiff tactics continue to put upward pressure on settlement costs to avoid unpredictable juries.
- Organizations with large auto fleets, high-hazard products, or significant premises exposures are facing difficult umbrella renewals and reduced capacity deployments. Using buffer layers to increase attachments can help mitigate premium increases.
- Anchoring auto liability, which has experienced rate increases for 54 straight quarters, to a profitable line of insurance like workers' compensation may improve results in a difficult market.
- 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 Q4 2024 Rate Changes Ranged from -1.8% to +8.9%

	<b>Auto</b>	<b>WC</b>	<b>GL</b>	<b>Umbrella</b>
<b>Q4 2024</b>	8.9%	-1.8%	5.3%	8.7%
<b>Q3 2024</b>	8.5%	-1.4%	4.8%	8.6%
<b>Q2 2024</b>	9.0%	-2.2%	5.1%	7.2%
<b>Q1 2024</b>	9.8%	-1.8%	4.1%	7.0%
<b>Q4 2023</b>	7.3%	-1.8%	3.8%	7.6%

Source: CIAB Q4 2024 Rate Survey



# Cyber: Market Update



## OUR POV

Premiums continued to decrease throughout 2024 due to competition in the market. Claims activity, specifically for privacy claims, remains constant, making tailored coverage increasingly important.

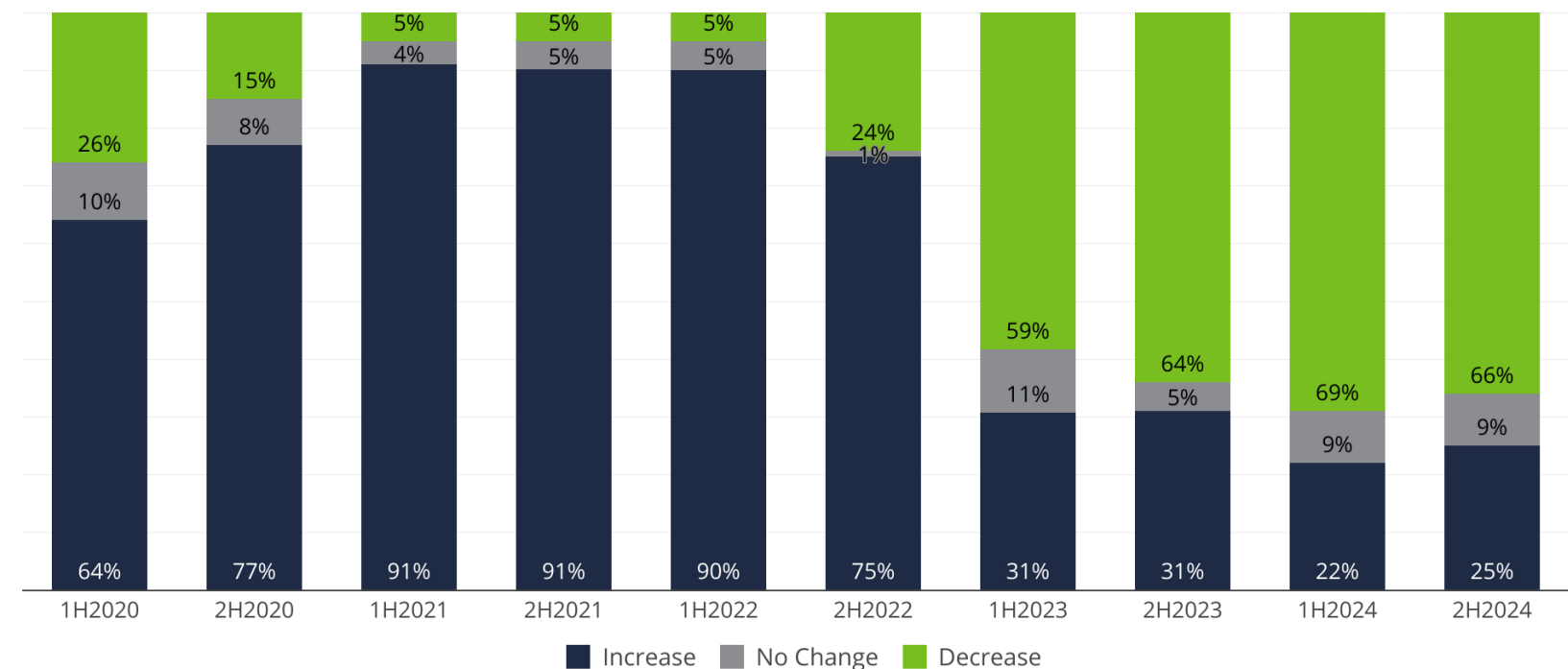
## MARKET TRENDS

- Consumer privacy class actions are increasing, which can impact cyber policies and therefore insurers.
- Due to increasing losses and premium reductions in the last couple of years, many insurers are intending to minimize further reductions this year.
- At the same time, competition between carriers continues to be high, which itself can result in lower premiums and rate decreases.
- Underwriting scrutiny can vary but remains higher than it was historically. Underwriters are now increasingly focused on data collection and consent practices as well as the insured's approach to third-party vendor risk management.

## CONTEXT FOR CURRENT TRENDS

- Systemic losses in 2024 (Change Health, CDK, etc.), coupled with ever-increasing privacy-related claims, are leading to higher loss ratios for insurers.
- Despite these losses, we continued to see premium decreases throughout 2024. However, that may change in 2025.
- 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 coverage.
- Many companies continued to invest in increasing their cyber program limits while the market remained competitive throughout 2024.

## Cost Change in Cyber Renewals Over the Last 5 Years



Source: Woodruff Sawyer Program Renewal Analysis

# About Woodruff Sawyer

**As one of the largest independent insurance brokerage and consulting firms in the US,**

Woodruff Sawyer protects the people and assets of more than 4,000 companies. We provide expert counsel and fierce advocacy to protect clients against their most critical risks in property and casualty, management liability, cyber liability, employee benefits, and personal wealth management. An active partner of Assurex Global and International Benefits Network, we provide expertise and customized solutions to insure innovation where clients need it, with headquarters in San Francisco, offices throughout the US, and global reach on six continents.

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