The insurance market is difficult right now

Before the Covid-19 Pandemic struck, insurance prices were already on the rise. The property casualty market had been in a soft state for decades. For the past couple of years, people had been predicting the market would harden, but it really only did so for tough classes of risks. Now, the market globally is leaning into a hard cycle. This means that prices go up for even the best in class risks, new coverage limitations and higher deductibles will form part of every renewal, underwriting scrutiny will cause increased friction for every transaction, and Clients with less than optimal risk profiles will have very few options for coverage.

Why?

In addition to the typical market cycles, a number of other things play into the cost of property casualty insurance that may be affecting prices right now:

Weather – Climate change has caused record-breaking numbers of catastrophic weather events, such as flooding, wildfires, wind-storms, causing extensive property damage. Canada has been far from immune. Recent hailstorms in Alberta will cost close to $1billion. Furthermore, the cost of building materials and reconstruction has surged.

Interest rates – Insurers intend to offset underwriting losses with investment income in order to generate profitable results. When interest rates are low like they have been and will continue to be for the foreseeable future, investment income just is not enough, which in turn causes upward pressure on rates in order to make a profit.

Regulation – The national solvency regulator for Canadian insurers tabled draft legislation that would require insurers to collectively set aside an additional $21 billion to $30 billion in capital. It has not been enacted but some of Canada's largest insurers are already getting themselves in compliance – pulling back capacity and driving up costs.

Fewer insurers – In addition to M&A effects, AIG left the personal insurance market in 2019, Lloyds shut down 8 syndicates that were very active in the Canadian market, and Allianz just announced that as part of Global restructuring, they will non-renew all but the largest Clients they have in Canada being hundreds of millions in premium.

The Pandemic – This has only served to amplify the hardening market. North American commercial insurance buyers will continue to pay more across most lines of business and see their coverage terms and conditions scrutinized, as the industry braces for a potential downside of up to $80 billion from COVID-19.

Reinsurance rates – The rates for the insurance of insurers have increased significantly during June 1, 2020 renewals as underwriters reacted to cumulative catastrophe losses, financial market disruption and expected coronavirus-related losses.

What can you do about it?

The hard market is here to stay for the foreseeable future. While you'll need to be prepared for rate increases, there are several practical steps you can take to control your costs in the meantime:

Invest in risk management - Minimizing your risks translates to controlling your costs. Execute the appropriate maintenance for your assets. Analyze all contracts carefully for opportunities to avoid and transfer risk. Some classes of business and property are just not attractive to insurers so in such cases, be prepared for material self-insurance aka large deductibles.

Be a desirable Client - Insurance companies do have memories. The price is likelier to stay reasonable for the loyal, diligent and reliable Client. Respond pro-actively to loss control recommendations. Be patient if your insurer is taking time to get back to you—underwriting decisions take longer than before.

Keep Claims to a Minimum - Be cautious about filing claims. If you can comfortably foot the bill for small property or vehicle repairs, try to tackle them yourself instead of calling your insurer. Claims history matters. You want your program there for the catastrophic loss.

Monthly premium financing – There are reasonable plans out there for monthly premium financing to protect cash flow for all forms of insurance except Directors & Officers Liability. Your broker has access to options. Be vigilant about paying your premium. A recent study suggested that the biggest driver of higher auto insurance rates is when a client has a cancellation from non-payment. Even worse? Getting cancelled for missing insurance payments means you'll be stuck with high rates for years to come.

We have been protecting Canadian families, their assets and their businesses for five generations. This is not the first time we've seen a hard market. Our seasoned pros have seen soft markets and hard markets and all that comes in between.

The brokers at HUNTERS continue to do their very best to preserve our Clients' success, enterprise and opportunity – in all market conditions.

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