

NEWS BRIEF

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Commercial P&C Price Increases Moderated in Q1 2022

Commercial insurance premiums rose for the 18th straight quarter to start the year. However, the increases moderated compared to the final few months of 2021, according to The Council of Insurance Agents & Brokers' (CIAB) Commercial Property/Casualty Market Index.

"Consensus among respondents in Q1 2022 was that, while premium prices increased, there were signs that market conditions eased somewhat," CIAB stated in its report. "Across the board for all account sizes, the rate at which premiums increased was either the same or lower than in Q4 2021."

Pricing increased 6.6% compared to 8.7% in the fourth quarter last year. Medium-sized accounts saw the largest average increase in premium pricing at 7.3%, compared to a 6.4% average for small accounts and 6.2% for large accounts.

Premiums increased an average of 5.7% across the five major lines (i.e., commercial property, commercial auto, umbrella, general liability and workers' compensation)—down from 8.1% the prior quarter. The highest average increase came from umbrella lines at 10.5%, while workers' compensation showed a slight decrease of 0.5% on average.

Cyber Coverage

Increases for cyber pricing slowed but remained well in double-digit territory. First-quarter average increases of cyber premiums were 27.5% versus 34.3% in the prior quarter. Carriers also enforced stricter underwriting requirements, including mandating cybersecurity protocols such as

multifactor authentication, often outright denying insureds with insufficient or no loss controls, according to the CIAB report.

"According to respondents, some of the primary drivers for the continued price increases were the increasing frequency and severity of cyber claims," CIAB said. "Tension caused by a combination of reduced carrier appetite for the risk and high demand was also a key driver. The high demand for cyber coverage is, in part, fueled by greater awareness among policyholders of the threat cyber risk poses for businesses of all sizes."

About 80% of respondents said capacity for cyber insurance decreased, while 90% said demand for cyber insurance went up.

Commercial Property Coverage

Commercial property insurance was top of mind for brokers, even though fewer than 30% of respondents reported increased claims, and just 39% said they observed increasing demand. A common issue was upward pressure on property valuations.

"The biggest change [in underwriting] was the push for adequate valuations, which pushed premiums up," said a broker based in the Midwest. "Carriers applied greater scrutiny of property valuation to be sure both personal and commercial risks were insured to the correct value."

The renewed scrutiny stemmed from the fact that, while property values rose in the last year, existing commercial property valuations and the policies crafted using those valuations do not reflect the increase in property value.

One broker in the Southeast noted carriers were asking questions such as whether doors and windows of properties had been replaced or updated. Others mentioned carriers were “keeping an eye on loss history and reducing limits deployed in high-risk classes and locations” and “reducing coverage, reducing limits and increasing wind and all other perils deductibles.”

Premium prices for commercial property rose an average of 8.6%, the third highest of all lines after cyber and umbrella. Price hikes slowed from an average of 9.9% the prior quarter.

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