Transforming Challenging Times *into* Beacons of Opportunity

State of the Market Mid-Year Report

K&S INSURANCE
NAVIGATING RISK. ENHANCING BUSINESS.
A BALDWIN RISK PARTNER

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Introduction

Economic turmoil, shifting workforce dynamics, extreme weather events, geopolitical unrest, and a litigious environment – if there is anything organizations and individuals have come to expect in recent memory, it is the unexpected. With volatility shaping current events and becoming the new normal, now more than ever before, we all need to think about how we plan for the unplanned.

Just like everyone else, insurance companies are also having to grapple with and adapt to the events that are transforming the world. In 2023, a shifting property and casualty (P&C) insurance and employee benefits marketplace continues to shape coverage terms, deductibles, and premiums in ways that impact organizations' and individuals' financial resiliency and ability to withstand ongoing instability. In the employee benefits landscape, employers continue to feel the financial pressures of balancing skyrocketing healthcare costs with employees' benefits expectations.

In this State of the Market report, we discuss the challenges and trends impacting businesses, individuals, and the insurance industry, and explore emerging trends and risks while highlighting strategies and solutions that can help you mitigate risk and achieve your goals.

In the commercial risk space, some market segments and industries are still seeing hardened conditions as a result of continued underwriting losses. This means that carrier capacity is diminished, insurers are retracting from riskier markets, premiums are higher, and underwriting scrutiny is heightened. Fortunately, other market segments have begun to soften, with rate increases still present but moderating. Through 2023, it is likely that insurance carriers will remain disciplined in the underwriting process for all markets.

For employee benefits, in an evolving employment landscape, every year it seems that employees expect more perks and benefits, and employers have had to find strategies to contain these costs in light of inflationary pressures. With necessity being the mother of invention, in 2023 we are seeing more employers leverage cost containment strategies and technological advancements to offer benefits that keep employees satisfied while reining in the costs.

(continued on next page)

Much like the commercial P&C marketplace, the private client insurance market remains tight. Carriers' risk appetites have changed in a continued hardened market, with the property market being particularly challenged. More carriers are leaving disaster-prone areas, leaving thousands of homeowners unprotected from the destruction of natural disasters.

Ultimately, the availability, rates, and terms of coverage for insureds will vary greatly by insurance line, loss history, geographic location, and implementation of loss prevention.

Businesses and individuals with a preferred risk profile that have a good loss history and an ability to demonstrate how they can recover from triggering events will be strongly positioned to get the best rates and terms. Continuing to face upward rate pressure will be those with poor risk profiles, exposures to natural catastrophes, losses, and large industry-specific exposures.

There is no doubt that the current socioeconomic environment and insurance marketplace conditions have posed significant challenges. However, risk exists, even in times of economic prosperity. For any business and person, the ability to pivot and manage risk in the present and as it evolves is crucial for long-term profitability, stability, and success.

Now is the time to think about how your exposures can affect your goals and which actions you can take to manage them for a positive outcome. You might have to reimagine certain processes or restructure your operations so that you are able to not only get better terms for insurance coverage, but also stabilize, overcome ongoing uncertainty, and capitalize on opportunities as they become available. And even if you have experienced losses and have a challenging risk profile, there are steps you can take to help you rebound.

No matter what the current state of the market may be, BRP's Advisor and Client Experience teams are focused on delivering the best results for your risk profile and operational DNA. Though a challenging insurance market and economy highlight the importance of working with the right broker, a strong broker relationship provides benefits that are valuable for you at any given time. Our Commercial Risk, Employee Benefits, and Private Risk advisors come to you with specialized expertise of both insurance and a wide array of industries, and are here to provide personalized, innovative, and sound recommendations that can help you transform challenges into opportunities.

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Commercial Risk

State of the Market Mid-Year Report

2023

Executive Summary

In times of prosperity, and especially in those of uncertainty, it is abundantly clear that risk management is vital to the long-term viability of all organizations. And recent years have certainly put that principle to the test, with prolonged inflation, recurring natural disasters, and an increasingly litigious society pushing businesses' ability to withstand the unknown while meeting demands for their goods and services. In addition to these mounting pressures, the commercial property and casualty (P&C) market has proven to be challenging, with most insureds seeing rate increase after rate increase, year after year.

However, the insurance market's cycles are exactly that – cycles. 2023 brings hope for organizations, with several lines of coverage showing some signs of stabilization and rate moderation. More and more, we have seen how investing in loss controls and being prepared for renewal puts businesses in the strongest positions to get optimal rates and terms for coverage. And as your organization continues to adapt and transform to secure its success, we are here to help you navigate the uncharted terrain that lies ahead.

Market Drivers

- **Extreme weather events continue to take a toll on the commercial property insurance market.**
- **A challenging reinsurance market is also impacting the pricing and availability of coverage in the P&C market.**
- **Sustained inflation challenges carriers' ability to properly price coverage and protect profit margins.**
- **Social inflation and nuclear verdicts continue to impact the frequency and severity of claims in casualty lines.**
- **Geopolitical conflicts worsen global supply chain issues and inflation.**
- **Labor shortages within the insurance industry impact underwriters' bandwidth to process submissions.**
- **Because the P&C market continues to be challenging for insureds, we are seeing more organizations turn to captives.**

Commercial P&C Overview

- **Property:** The property market remains extremely challenging, especially for businesses in disaster-prone areas. In 2023, insureds are averaging a 20.4% increase in commercial property insurance premiums, though renewals could be even higher for property in disaster-prone areas.
- **General Liability:** So far, we are seeing renewals average a 4.6% increase in general liability, a promising sign that rates are moderating.
- **Commercial Auto:** Commercial auto liability remains challenging due to social inflation, third-party litigation, and nuclear verdicts. Renewals are averaging 8.3% in increases.
- **Workers' Compensation:** A bastion of relief for insureds, this line continues to perform strongly, with renewals mostly flat or even seeing slight decreases.
- **Employment Practices Liability Insurance (EPLI):** Social inflation continues to add rate pressure in the EPLI space, though results will vary greatly based on account performance and industry exposures.
- **Directors and Officers (D&O) Liability:** The D&O market is showing promising signs of softening, with more insurers entering the marketplace and creating greater capacity.
- **Fiduciary Liability:** Underwriters remain concerned with excessive fee claims, but rate increases remain nominal for this line.
- **Cyber Liability:** Surprisingly, the cyber liability market is also experiencing rate moderation. After years of rate increases averaging in the double-digit range, Q1 2023 saw average increases of 8.4%.
- **Umbrella Liability:** Underwriters will likely continue to practice discipline due to sustained claims volatility. New capacity is entering the market, though we have yet to see its impact on rates. Rate increases have averaged 8.5% this year.
- **Excess and Surplus (E&S):** New market entrants have increased capacity, particularly for higher layers. However, large loss trends continue to negatively impact pricing.

It is important to remember that these rates are averages, and that the results you see for your business will vary on a confluence of factors unique to its operational DNA. Furthermore, what we are seeing in the marketplace is significant bifurcation. Accounts with loss history and a lack of loss control mechanisms that cannot paint a compelling portrait of their risk to underwriters are seeing the worst results, and vice versa.

Containing the cost of risk and insurance continues to be challenging for many organizations, and though you might not be able to control the insurance market, you can influence the results.

In this report, we talk about how and where to start.

Market Drivers

As we detail throughout this State of the Market analysis, the usual suspects, namely extreme weather events, increased litigation, economic pressures, and geopolitical unrest, continue to have significant impacts on the commercial P&C market. While we predict that these factors will continue to place upward pressure on premium rates, these emerging market drivers are also shaping the insurance market in 2023.

Worker shortages and a growing skills gap

Insurers are now encountering the worker shortage issues that have plagued so many other industries. Many underwriters have begun to retire, and there is not enough experienced talent to replace them. In fact, the U.S. Bureau of Labor Statistics projects 8,400 openings for insurance underwriters per year over the next decade.[1] When practiced underwriters retire, this leaves insurers with an experience and perspective gap, which can negatively impact policyholders, especially those with more complex risks and loss history. A shortage of underwriters can also lead to delays for insureds.

Additionally, carriers are finding that they are having to compete with other industries for technically skilled talent that can deploy and manage the advanced solutions needed for the insurance industry to address the challenges it faces both now and in the future.

The growing influence of artificial intelligence solutions

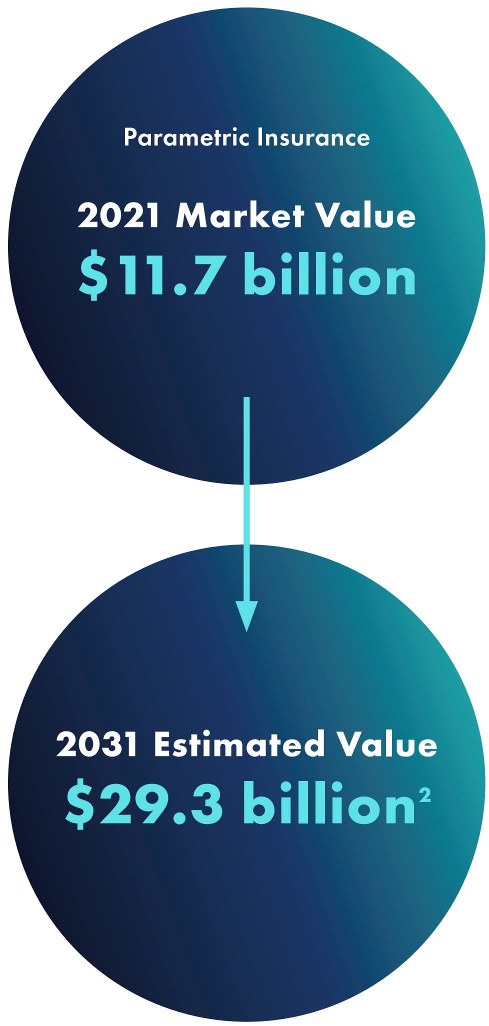
Artificial intelligence (AI) has become a buzzword in all industries and lines of work, and the insurance industry is no exception. The insurance industry is undergoing a digital revolution, and AI will very likely play a role moving forward. In a world where carriers can rely less on past trends to determine future risk and coverage pricing, AI solutions hold significant promise to help carriers more adequately assess risk, streamline processes, reduce human error, lighten staff workload, and improve customer experience.

Captive solutions – an alternative to the traditional insurance marketplace

Captives are having a big moment, with the U.S. captive market exploding in recent years. This is because more organizations want greater control, affordability, and flexibility around their insurance portfolio, and for entities with the right risk profile, captives can provide that. With the P&C market continuing to be challenging for insureds, we expect heightened interest in captives to continue in 2023.

Parametric solutions making waves

Parametric insurance is also surging in popularity due to the hardened property market. In this type of policy, coverage is triggered by a specific condition, such as wind speed or earthquake magnitude. It can help contain costs and offer meaningful protection for large CAT events. The global parametric insurance market is projected to more than triple in value within the next decade. In 2021, the market was valued at $11.7 billion, and it is estimated to reach $29.3 billion by 2031[2].



Insurance Trends

Property

A market beholden to Mother Nature's mercy

The commercial property insurance market has seen rate increases every quarter since Q3 2017, and 2023 is showing no signs that this streak will end. In 2023, insureds are seeing a 20.4% increase on average in commercial property insurance premiums, though renewals could be even higher for property in disaster-prone areas.[4]

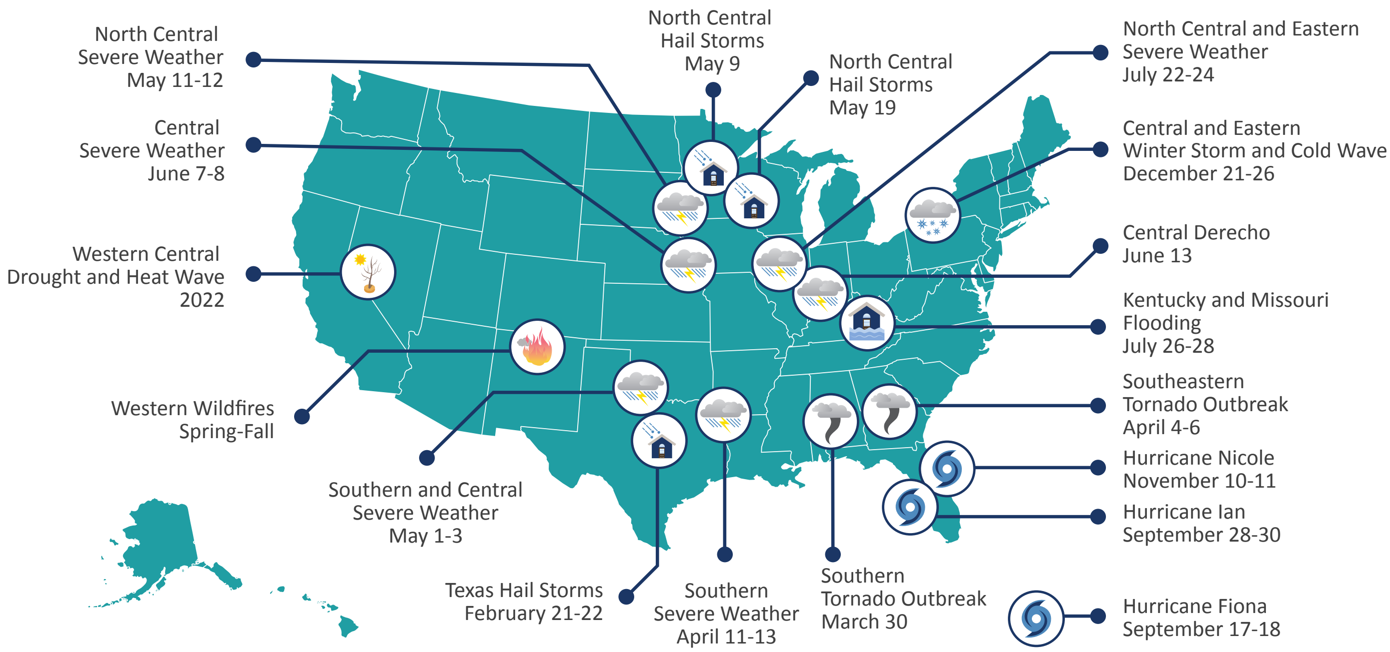
This is because natural disasters have been unrelenting in both their frequency and severity, leaving profound destruction and devastation in their wake. As these events continue to compound for yet another year with inflation, labor shortages, supply chain issues, geopolitical conflict, and a challenging reinsurance market, we expect the commercial property insurance market to continue to harden.

Issues that impact the availability and pricing of coverage:

Extreme weather events

In 2022, the United States was plagued yet again by natural disasters, with 18 extreme weather events surpassing the $1 billion mark in damages in the United States alone, amounting to $165 billion in insured and uninsured losses.[5] Global reinsurer Munich Re estimates that 2022 global insured and uninsured losses amounted to about $270 billion, following $320 billion in total losses in 2021.[6] When 2022 was looking like it would be a tamer year for natural disasters, Hurricane Ian hit the state of Florida, with estimates of insurable losses for this event approaching $65 billion.[7]

U.S. 2022 Billion-Dollar Weather and Climate Disasters



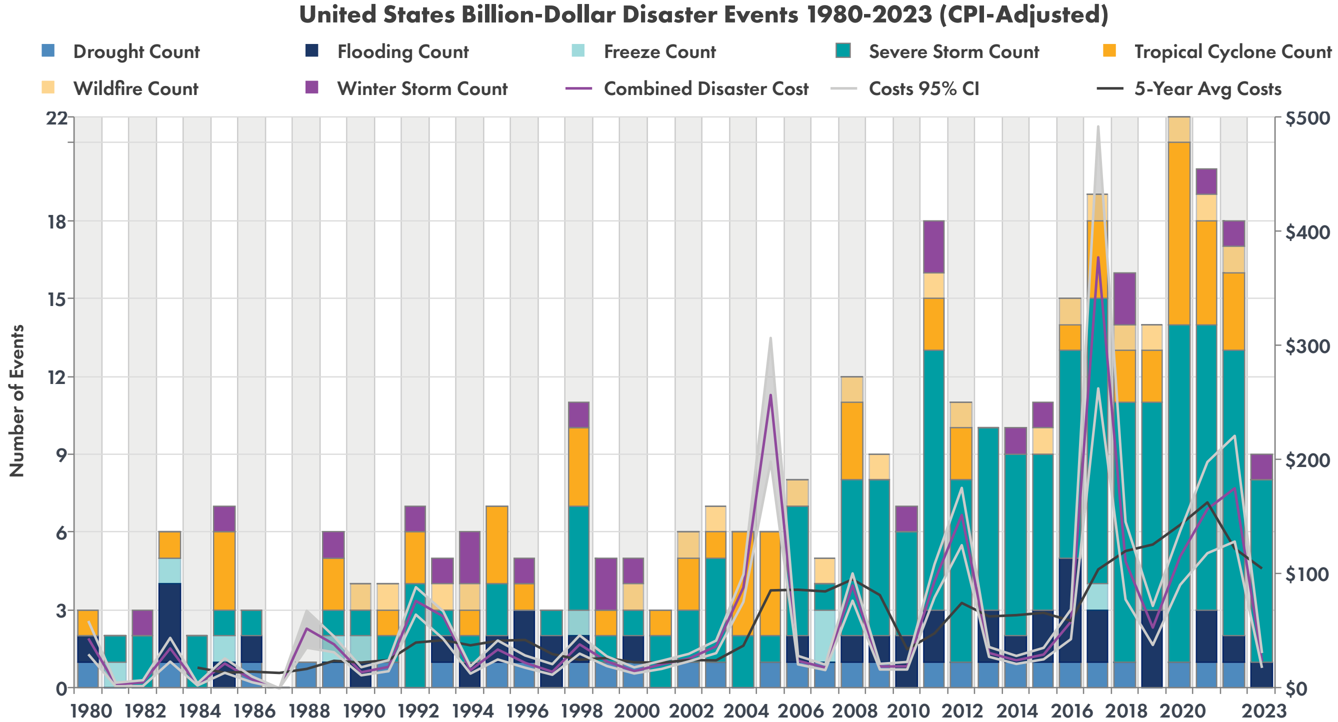
Source: NCEI[8] *This map denotes the approximate location for each of the 18 separate billion-dollar weather and climate disasters that impacted the United States in 2022.*

And while large-scale events dominate headlines, we cannot understate the cumulative impact of smaller events and secondary perils on the commercial property market. For example, in the U.S. alone, floods accounted for $28 billion in total losses from 2018 through 2023, which doesn't include flooding losses related to hurricanes.[9] And in 2021, at least 6.8 million U.S. properties had at least one damaging hail event.[10]

Insurance carriers that cover extreme cold, fires, hurricanes, floods, and tornadoes are feeling the effects of weather events firsthand. Sustained underwriting losses have eroded profit margins and have carriers retreating from riskier markets. This makes it increasingly difficult for insureds in challenged geographies to find commercial property coverage. And when coverage is available, policyholders may see exorbitant rate hikes, restrictive terms and conditions, higher retention levels, and an overall reduction in limits.

Climate change is also reshaping the world as we know it. The insurance industry has yet to adapt underwriting strategies and climate models to account for the nature of interconnected weather events. Recurring natural disasters amount to an increased severity in insurance claims, and when carriers experience poor loss ratios over a prolonged period, this could threaten their ability to remain solvent.

United States Billion-Dollar Disaster Events 1980-2023 (CPI-Adjusted)



Updated: June 8, 2023

Source: NCEI[11]

Economic uncertainty

Economic uncertainty driven by inflation and the threat of recession makes it difficult for carriers to maintain pricing and keep pace with unpredictable loss patterns. Throughout 2022, inflation continued to climb, reaching a peak of 9.1% in June 2022.[12] When compared with historical trends, rising prices contributed to about a $32 billion increase in how much insurers had to pay out in 2022.[13] Though the annual inflation rate in the United States fell to 4.9% in April 2023, this is still much higher than the 2.1% average reported from 2000 to 2020.[14]

In a high inflationary environment, the costs to rebuild could be significantly higher, which results in higher loss ratios for carriers. P&C insurer replacement costs are projected to increase between 4.5% and 6.5% in 2023.[15] With the cost to rebuild and replace higher, many property valuations are not up to date, which can result in significant coverage gaps for policyholders. In fact, a study found that only 43% of business owners have increased their business insurance policy limits to account for inflation.[16]

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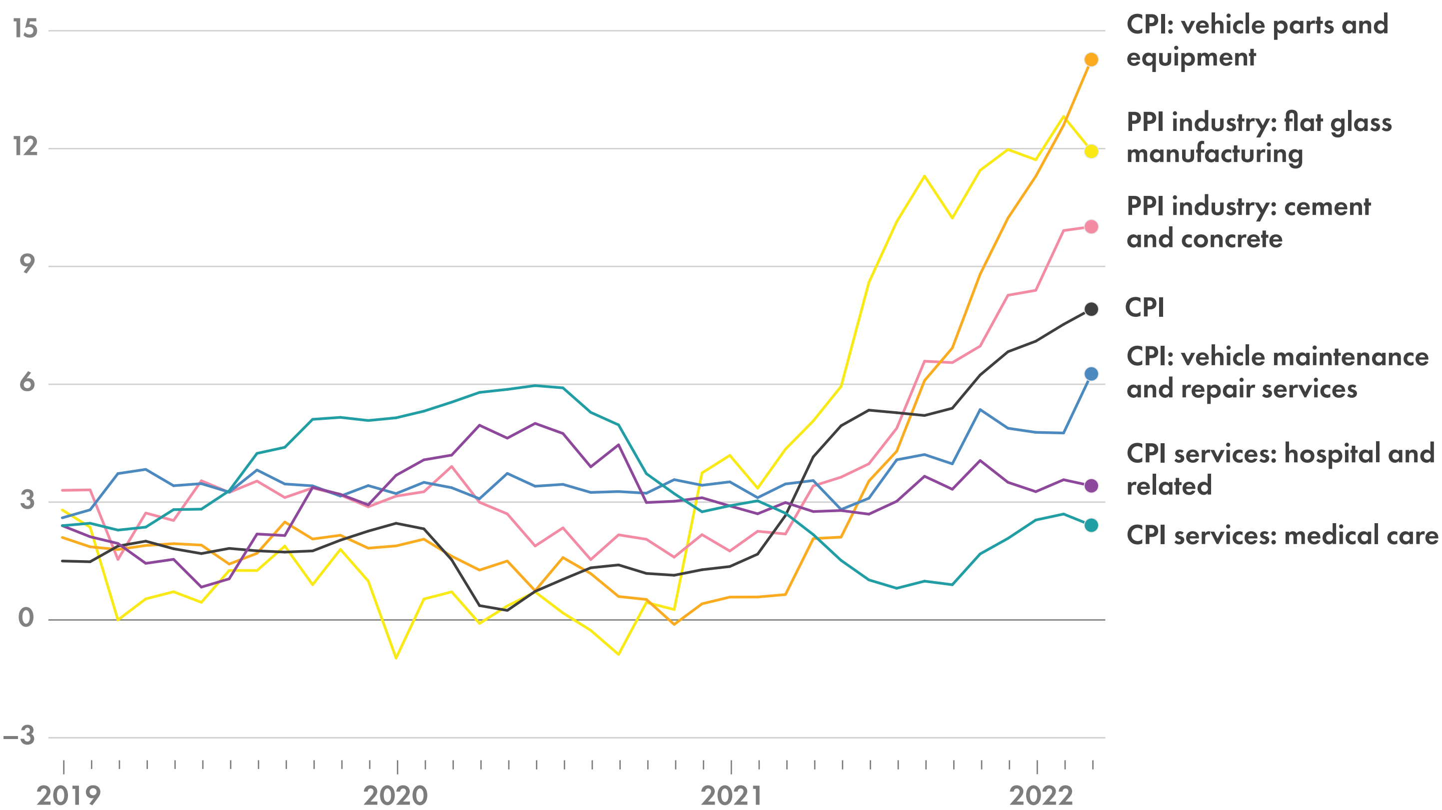
Furthermore, insurance carriers are as susceptible as all businesses to the threat of a recession, which economic experts fear is on the horizon due to rising interest rates, sustained labor challenges, reduced economic activity, and financial institution failures.

Inflation has had an adverse impact on most property and casualty lines of insurance, dampening favorable trends and accelerating unfavorable ones.

Price indexes across select consumer price index (CPI) and producer price index (PPI) categories, % change



Source: McKinsey & Company[17]

Labor shortages

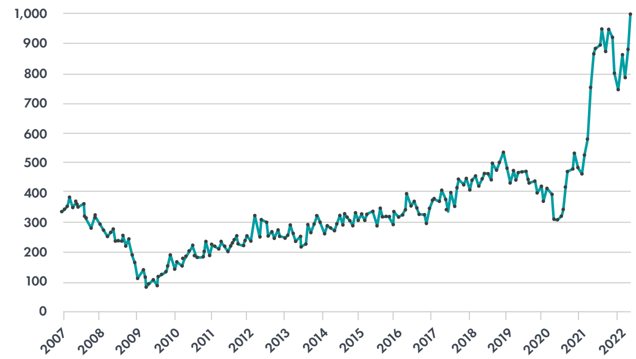
Labor shortages continue to persist in 2023. Job openings and an aging workforce in key industries, including construction, manufacturing, and transportation, worsen supply chain issues. As of March 2023, the U.S. Bureau of Labor Statistics[18] estimates that the U.S. construction industry was short 341,000 workers and the manufacturing sector was short 693,000, while the American Trucking Association (ATA) estimates the U.S. trucking sector was 78,000 drivers short in 2022.[19]

Labor shortages in the construction industry mean that there are fewer available workers to meet labor demands in regions that experience severe losses due to extreme weather events, while labor shortages in the manufacturing industry impact the ability to produce materials and components needed to rebuild and repair. Without workers to transport goods, this also impacts recovery timelines and costs. To attract and retain talent, employers in these industries are raising wages, which is another factor contributing to ballooning rebuilding costs. Insurers are struggling to adapt risk models to account for growing wages in these key sectors.

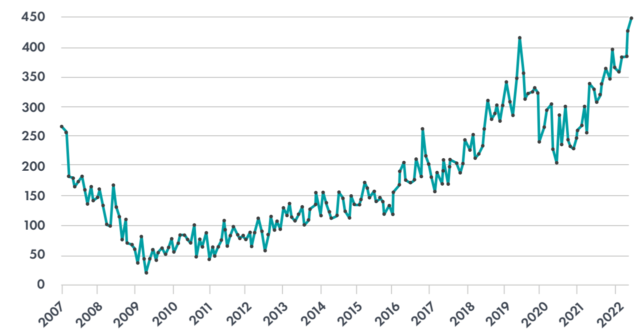
Supply chain issues

Supply chain disruptions have impacted many industries and businesses, and this includes insurance carriers. Increased demand and slowed production during the COVID-19 pandemic triggered severe supply chain issues that led to a shortage of raw materials and goods, manufacturing delays, and higher repair costs, all factors that increase losses for insurers. The Russia-Ukraine conflict, geopolitical trade tension, weather events, and labor shortages also negatively impact global supply chain resiliency and the availability of raw materials and goods.

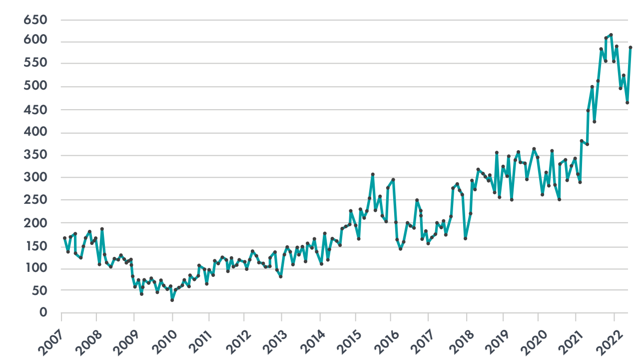
Manufacturing Job Openings
Thousands of openings, seasonally adjusted



Construction Job Openings
Thousands of openings, seasonally adjusted



Transportation, Warehousing, Utilities Job Openings
Thousands of openings, seasonally adjusted



Source: Wolf Street[20]

Geopolitical conflict

Geopolitical conflicts, such as the Russia-Ukraine war, strain the P&C market by contributing to inflation and impacting the availability of key commodities, which further destabilizes supply chains. These conflicts also pose an additional risk, as they can lead to financial and trade sanctions, and may result in insurance claims stemming from business or supply chain interruptions. Additionally, sanctions may also impact how insurance policies respond to a triggering event, as government action may prohibit insurers from providing payment for a claim if it violates sanction laws.

Reinsurance market capacity

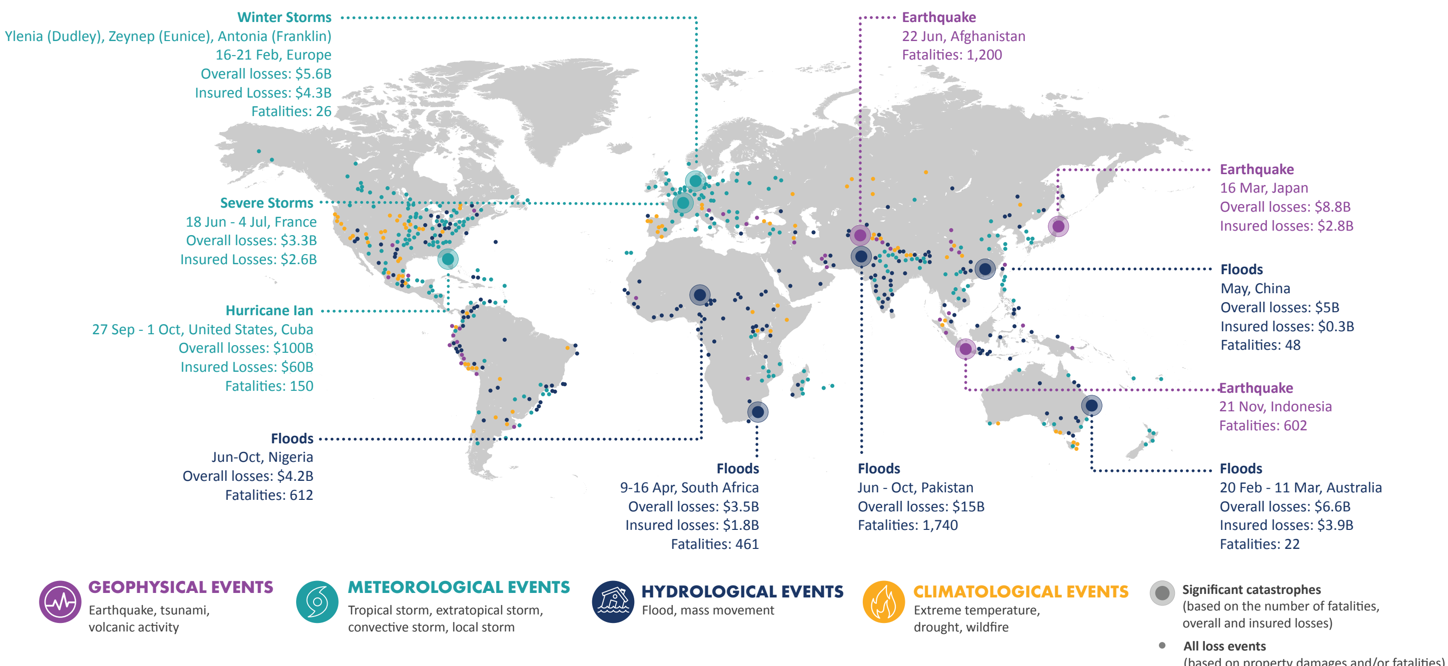
We are in the midst of a reinsurance-led market.

Because property losses have been so severe, even the reinsurance market is feeling the impact. While the primary insurance market covers financial liability for policyholders as a result of a triggering event, reinsurance is insurance for insurers.

Premium increases from reinsurers in 2023 are a result of inflation and recurring natural catastrophe losses. According to Howden's index, reinsurance rate increases for property catastrophe business have averaged 37% in 2023.[21] Since the reinsurance market supports global insurance markets, both domestic and global events impact its pricing and availability. Beyond Hurricane Ian in 2020, these 2023 global events include the Russia-Ukraine conflict, severe flooding in Pakistan, flash flooding in Australia, monsoon rains in Nigeria, and more.

Reinsurers' capacity to insure exposures has been limited by a lack of overall pricing adequacy. A shortfall in capacity leads to upward pricing pressure, tightening of terms and conditions, or, in certain instances, a lack of available capacity to support a client's renewal programs. This leaves many clients in disaster-prone areas having to make decisions about how much risk they can retain versus rising costs.

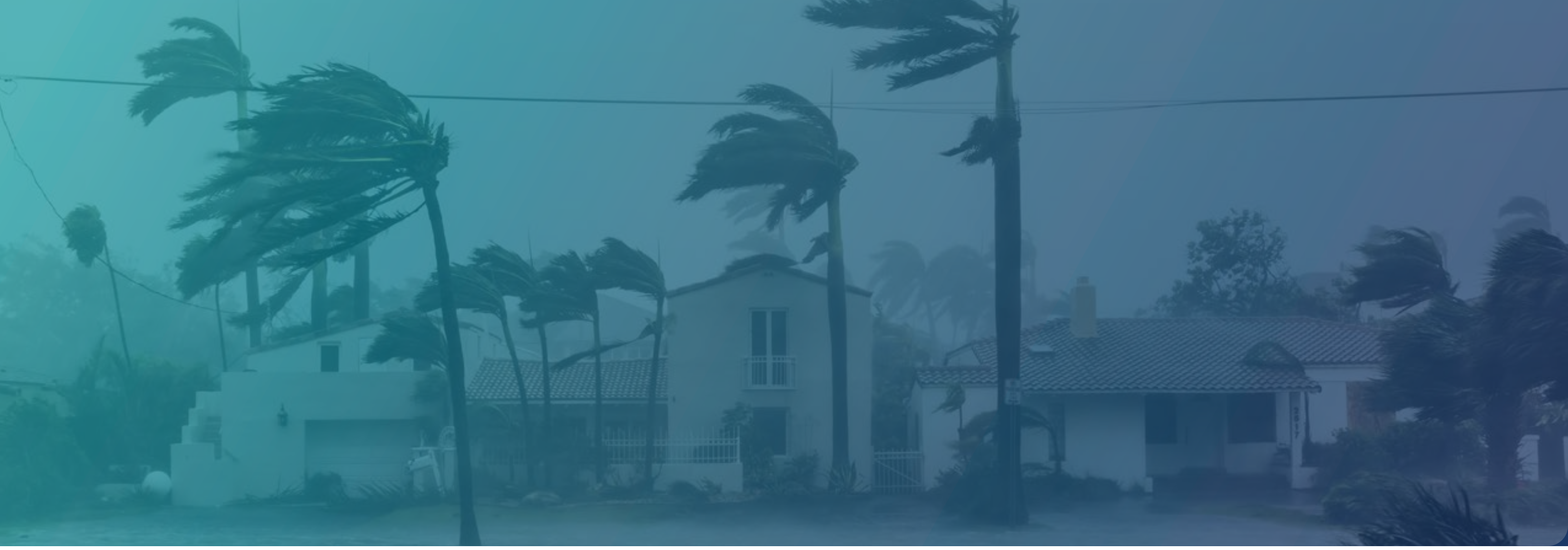
This same thought process applies to primary insurers who are having to decide between increased "costs of goods sold" or non-renewing large portions of their book.



Source: Munich RE[22]

As carriers must pay out more claims and meet financial obligations to policyholders, they turn to the reinsurance market to be able to do so. Projections from catastrophe models have claim expenses increasing up to 30% because of inflation and availability of materials and labor, among other factors. Additionally, reinsurers are expected to bear the brunt of the growing cost of losses across the U.S. and the number of poorly capitalized carriers in geographic areas that have seen continuous natural disasters.

To protect their profit margins, reinsurers increase rates across the board, and this cost increase impacts all insurance carriers. Though businesses in disaster-prone areas are seeing greater increases, price hikes are hitting most markets around the country, even those that don't experience many natural disasters.



Regional differences

It is important to remember that occupancy class, geographic location, and construction type have a great impact on the pricing and availability of coverage. Nonchallenged assets in favorable geographic locations will likely see much lower rate increases than, for example, multifamily buildings in wildfire or hurricane zones.

A property insurance market in crisis

As a response to the variables detailed above, insurance carriers have increased premiums, diminished capacity, and increased underwriting scrutiny. Because inflation, supply chain issues, and labor shortages have made it challenging for carriers to properly price coverage, expect underwriters to zero in on asset valuation during the underwriting process and demand up-to-date numbers. Failure to provide accurate valuation numbers will likely result in higher rates, or maybe even declination of coverage.

Additionally, many carriers have fled climate-vulnerable states or become insolvent, leaving thousands without disaster coverage and scrambling to find some type of financial protection. Though Florida has been in the eye of the storm when it comes to insurance carrier insolvency, this issue is also impacting other states. Several insurance companies in Louisiana have recently become insolvent, and Texas has also seen carriers flee the state.[23] Many carriers have also dropped policyholders in fire-prone areas, such as California, Colorado, Washington, and Montana.

Because of the property insurance market crisis, the Florida legislature passed sweeping reforms that seek to keep carriers from fleeing the state.[24] The legislation aims to make it harder and more expensive to sue insurance companies, with the hope being that this will lower rates for policyholders. Louisiana is also currently considering insurance market reform.[25]

Many carriers have fled climate-vulnerable states or become insolvent, leaving thousands without disaster coverage.

Unfortunately, there is no easy fix for the property insurance market's dilemma. Carriers need to adapt underwriting strategies and data analytics to the new normal of unpredictable, extreme weather events – a tall order in and of itself. Technology, public policy, and insurance need to come together to find viable solutions so that individuals and businesses can buy the coverage they need to be protected from the effects of natural disasters.

Until that happens, it's essential for carriers and insurance advisors to educate policyholders about risk mitigation, resiliency planning, and recovery strategies for natural disasters.

Your Beacon of Opportunity

Commercial Property

You can never predict when natural disasters will strike or how destructive they will be, but you can take certain steps that can make your business more resilient.

Our recommendations:

- Make business continuity and disaster preparedness plans for different weather events and regularly review, test, and update them to meet your evolving business and workforce needs.
- Though it is an up-front cost, consider making investments to harden any buildings you own. If you are in the process of rebuilding, it is a good opportunity to implement upgrades that make your infrastructure more resilient to extreme weather events.
- Be sure to update your appraisals and try to insure to value so that you don't end up with a significant coverage gap where you would have to cover the cost to rebuild out of pocket.
- Finally, be prepared for your renewal. Explore all insurance coverage options with a BRP advisor if you have limited marketplace options or want to manage the cost of your insurance while maintaining the financial protection you need.
- Work with lenders early to understand flexibility if you can tolerate retaining more risk and utilize property modeling to understand key Probable Maximum Loss (PML) drivers. This will help you make informed decisions about where retaining more risk makes sense versus transferring it to an insurance company.

Casualty

The haves and the have-nots - market bifurcation driven by loss history and hazard class

In recent years, the commercial casualty market has also been challenging for insureds as carriers have responded to a rise in the frequency and severity of claims by tightening underwriting standards, increasing rates, and reducing capacity. With both the property and casualty markets having hardened, buyers have truly been stuck between a rock and a hard place.

However, the casualty market is showing some signs of stabilization. In 2022, improved results in several lines, including workers' compensation, directors and officers (D&O), and cyber liability paved the way for rate deceleration. Though rates have continued to grow for several lines in 2023, increases are occurring at a slower pace than what we experienced from 2019 through 2021.

What has become abundantly evident is that the casualty market is experiencing bifurcation, as policyholders' renewal rates have varied greatly based on a number of variables. Organizations in industries with low or moderate exposures that have a good loss history and can provide evidence of loss controls are likely to see flat to smaller increases. On the other hand, businesses with loss history in challenged industries, such as real estate, healthcare, education, manufacturing, hospitality, and transportation, are likely to see higher rate increases for casualty lines.

In 2023, carriers continue to be concerned with the pervasiveness of growing claims as a result of economic inflation and these issues:

- Nuclear verdicts – These are when a jury provides an award in a civil liability case that's over $10 million, an amount so steep that it surpasses what most people would consider reasonable. When we consider verdicts that surpass the $1 million mark, from 2010 to 2018, the average size of verdicts increased almost 1,000%, rising from $2.3 million to $22.3 million.[26] In 2022, the median verdict amount ballooned to $41.1 million, with the number of verdicts doubling.[27] Nuclear verdicts are driven by social inflation and third-party litigation funding.

The average size of verdicts increased almost 1,000%.

- Social inflation - This describes the rising cost of insurance claims as a result of increased litigation, plaintiff-friendly legal decisions, broader contract interpretation, larger jury awards, and anticorporate sentiment.
- Third-party litigation funding – This is when a funder who is not a party to the lawsuit agrees to fund it in exchange for a return of the litigation's settlement.

Though nuclear verdicts, social inflation, and third-party litigation funding continue to cast a shadow on the casualty market, expect variance in rate trends by product line.

Next, we detail the ups and downs shaping casualty capacity.

General Liability

Frequency of large claims creating rate pressure

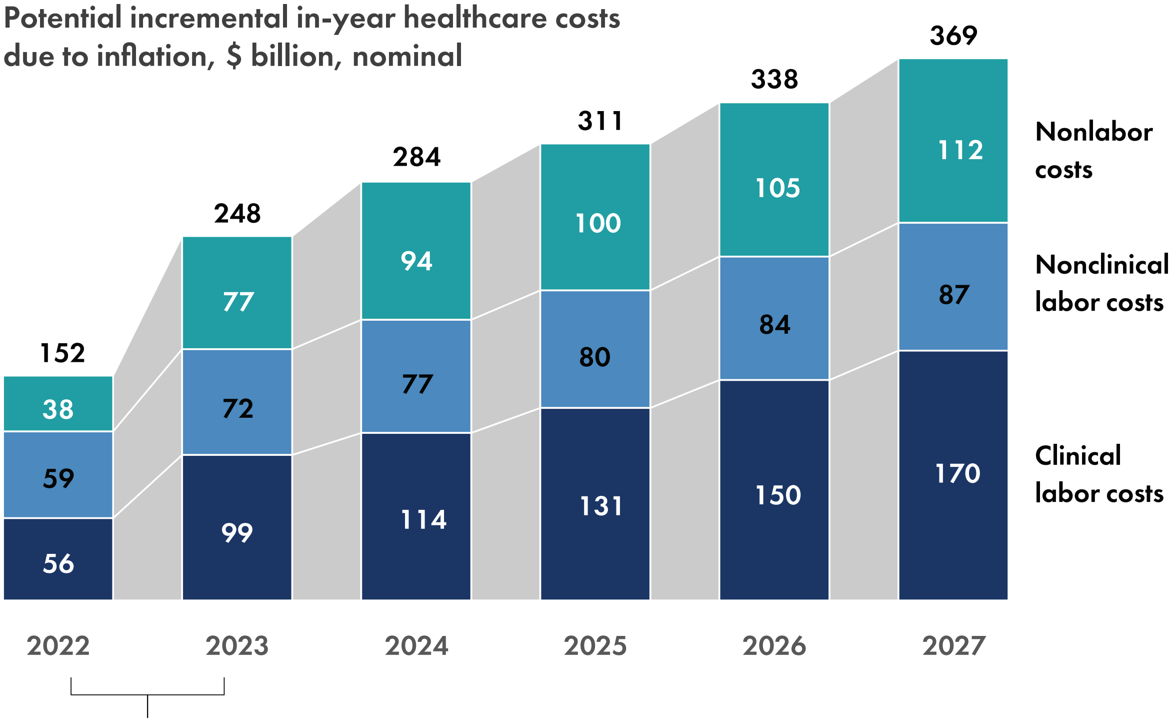
Emerging Trends

Inflation and growing medical costs

Medical costs are growing due to economic inflation. Projections from McKinsey estimate that the annual U.S. national health expenditure is likely to be $370 billion higher by 2027 due to the impact of inflation compared with pre-pandemic projections.[29] With many general liability policies providing financial relief for medical costs arising from third-party injuries, organizations need to be aware of how the rising costs of medical care could lead to coverage gaps.

2023 price prediction:
+4.6%[28]

Potential incremental in-year healthcare costs due to inflation, $ billion, nominal



Inflation and clinical labor wage growth are significantly above baseline trends in 2022 and 2023 before returning to a lower rate of growth on this elevated baseline

Source: McKinsey & Company [30]

Active assailant exposures

Unfortunately, more organizations are now facing increased exposure to active assailants. Active assailant incidents can be extremely devastating, leading to serious injuries, post-traumatic stress disorder, and fatalities. Beyond the intangible impact of these incidents on human life, businesses that experience this type of event may have to pay significant recovery expenses or regulatory penalties. Because of the increasing occurrence of this type of loss, organizations might find themselves without enough coverage under a general liability policy for claims that arise post-event.

Hazardous chemical exclusions
A heightened focus on the manufacturing industry and use of hazardous chemicals has increased liability exposures for a larger group of companies. Insureds whose businesses handle hazardous chemicals and materials need to be aware of exclusionary language in their general liability policies and stay on top of regulations and compliance requirements, as they are rapidly evolving.

Reviver statutes
Finally, several states amended laws for plaintiffs to be able to bring or reopen sexual abuse claims beyond previous statutes of limitations.[31] Organizations with sexual abuse exposures might struggle to obtain sufficient coverage and need to pay attention to exclusionary language regarding these situations.

Entrenched Trends

Because of an increasingly litigious society, organizations in the U.S. are facing more liability lawsuits due to actual or alleged wrongdoings, with settlements seeming to grow year after year. This increases the frequency of large claims, and underwriters have taken note.

Rate increases are present, but seem to be moderating for many insureds, though organizations with poor loss history and/or in high-hazard industries will likely see increases in the double digits.

Your Beacon of Opportunity

General Liability

Start with obtaining an up-to-date assessment of your organization's risk and a review of your policy and limits to help prevent incidences of coverage gaps or overlaps.

Explore standalone coverages for outlier events, and work with your BRP advisor to ensure you understand what they cover, in addition to any exclusionary language. You also want to review and assess your loss mitigation practices with your advisor to help ensure that you have appropriate incident response plans in place and workplace safety training programs that align with your operational, workforce, and client needs.

Commercial Auto

Familiar forces driving rates upward

Emerging Trends

Limited talent pool: the fallout

As commercial fleet owners and operators continue to experience challenges finding experienced drivers to operate vehicles, we are seeing the fallout from having to hire younger, less experienced drivers and keeping bad drivers employed for longer.

Consider this: Data from the National Highway Traffic Safety Administration showed that young drivers, while only 5.1% percent of all licensed drivers in 2020, accounted for 8.5% of all drivers involved in fatal crashes.[33] With more workers retiring from transportation jobs, fleets have had to come to terms with a growing skills gap.

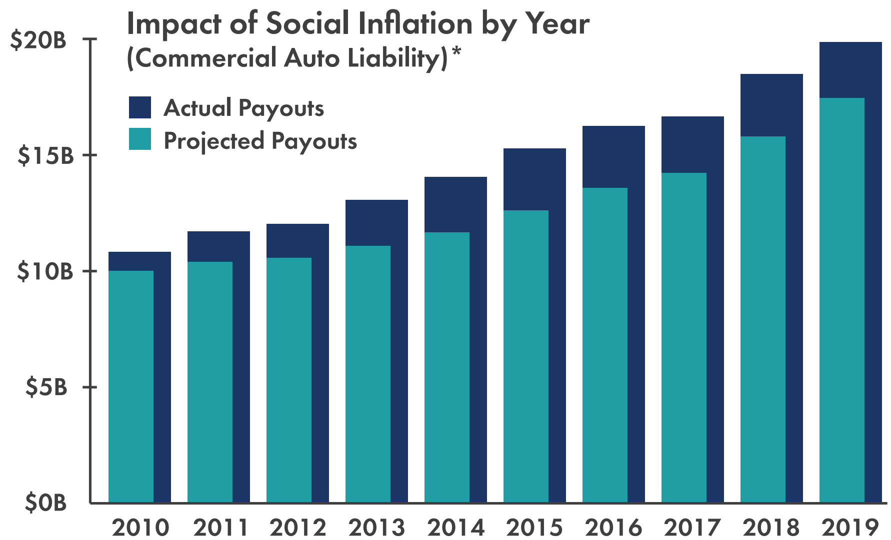
2023 price prediction:
+8.3%[32]

Many training programs haven't been able to keep up with an uptick in demand for skilled labor, leading to a shortage of qualified workers. The results are greater accident frequency and severity, which lead to more claims.

Entrenched Trends

Commercial auto liability has been in the eye of the storm of increased claims activity stemming from nuclear verdicts, social inflation, and third-party litigation. The Insurance Information Institute estimates that social inflation increased claims by an estimated $20B (14%) from 2010 to 2019 in commercial auto liability.[34] As an example, in one of the largest nuclear verdicts to date, a jury awarded a plaintiff $411 million in his suit against a trucking company.[35]

Additionally, persistent supply chain issues and economic inflation continue to impact claims, with the cost to repair and maintain vehicles outpacing the rate of inflation since 2012 and spiking dramatically within the last year.[36] And if vehicles are not properly serviced, this can also increase the incidence of accidents and claims.



*Triple-I and Casualty Actuarial Society analysis of National Association of Insurance Commissioner (NAIC) data. Social Inflation and Loss Development, Lynch, J. and Moore, D., February 2022

$20 billion / 14% increase

Difference between actual and projected losses from 2010 to 2019.

Source: Insurance Information Institute[37]

Commercial Auto Liability Calendar Year Written Premium, Combined Ratio, and Rate Changes

Data sources: National Association of Insurance Commissioners (NAIC) data sourced through S&P Global Market Intelligence, Market Scout Market Barometer.

Source: Milliman[38]

Your Beacon of Opportunity

Commercial Auto

Though the shortage of drivers is a complex issue with no simple solution, fleet owners and operators should consider zeroing in on worker recruitment and retention by offering attractive benefits. Harnessing the power of telematics is also one of the most effective strategies businesses can use to control the risks and costs of owning and operating a commercial fleet. Telematic solutions are GPSs and cameras that allow you to identify where a vehicle is and has been, what it is and has been doing, and what is happening around the vehicle. In addition to helping companies manage their fleet costs and stay on top of maintenance issues, telematics is a mandatory prerequisite for coverage for many commercial auto liability insurers. Work with your BRP advisor to review all mandatory coverages and help ensure you're properly covered.

Workers' Compensation

The best performing casualty line remains stable and profitable

2023 price prediction:
-0.5%[39]

Emerging Trends

Shifting workforce demographics

Though the Great Resignation occurred in 2021, we might just be starting to see its impact on the workers' compensation market, as short-tenured workers are more likely to sustain workplace injuries from lack of experience and training.

A review of 2016-2020 data from Travelers Companies, Inc. found that first-year employees, regardless of age or industry experience, accounted for 34% of all claims and nearly 7 million missed workdays.[40]

The workforce is also aging, which presents a twofold challenge. Firstly, though older employees are less likely to get into workplace accidents, when they do, they take longer to recover, usually because of comorbidities.[41] Secondly, as more people retire, there will be more new workers in positions, which can also lead to more claims.

> **First-year employees, regardless of age or industry experience, accounted for 34% of all claims and nearly 7 million missed workdays.[40]**

Remote work – the impact

With the advent of remote work due to the COVID-19 pandemic, employees who work from home and do not have ergonomic workstations are more likely to develop ailments, such as back pain, carpal tunnel syndrome, eyestrain, headaches, and neck pain.

In the earlier months of the pandemic, Chubb conducted a survey that revealed that 41% of Americans reported feeling new or increased shoulder, back, and wrist pain since they started working from home.[42] Employers who do not have telecommuting policies in place to address these health concerns could see more workers' compensation claims.

Healthcare costs and inflation

Finally, the cost of healthcare in an inflationary environment could also lead to greater claims costs that we are not yet seeing reflected in current rate trends.

Entrenched Trends

Though most renewals without losses this year are trending flat or seeing minimal increases, organizations need to keep a pulse on emerging risks to maintain competitive results for this line.

Your Beacon of Opportunity

Workers' Compensation

Employers have an opportunity to leverage solutions, like telemedicine, well-being initiatives, safety training programs, wearable safety technology, mental health resources, and proactive communication, to help employees avoid workplace injuries and provide support to treat injuries should they occur. Have clear policies in place for remote employees, reminding them to take necessary breaks and providing them resources to create ergonomic workspaces at home. Though these solutions have initial up-front costs, consider the long-term savings that they could provide in the form of prevented claims. Your BRP advisor can help create worker safety programs designed to benefit the company's bottom line and keep your employees safe.

Management Liability

Is respite from the hardened market finally in sight?

After years of dealing with limited capacity, higher retentions, and steep rate increases, the management liability space seems to be stabilizing, with rate increases slowing overall for professional lines of business. Of course, this likely will not be the case for accounts with loss experience. To avoid claim incidences and reap the benefits of a softening market, insureds need to keep a pulse on these existing and emerging risks.

Employment Practices Liability (EPLI)

Emerging Trends*

Environmental, Social, and Governance (ESG) Initiatives

Organizations with an environmental, social, and governance (ESG) strategy need to consider employees' perceptions of these policies. If individuals feel excluded from ESG initiatives or sense that the workplace environment does not align with ESG polices, this might lead to allegations of wrongdoing.

The return to office

From 2022 through 2023, we have seen more employers enforce return to office policies. Companies that choose to enforce a return to office for their workforce must ensure that they have a clear transition plan in place and consider different individuals' needs. Failure to accommodate health conditions could lead to claims. Those that support hybrid workforces need to ensure that remote and in-office employees receive equitable treatment – remembering to ensure that remote employees take necessary breaks, as required by law.

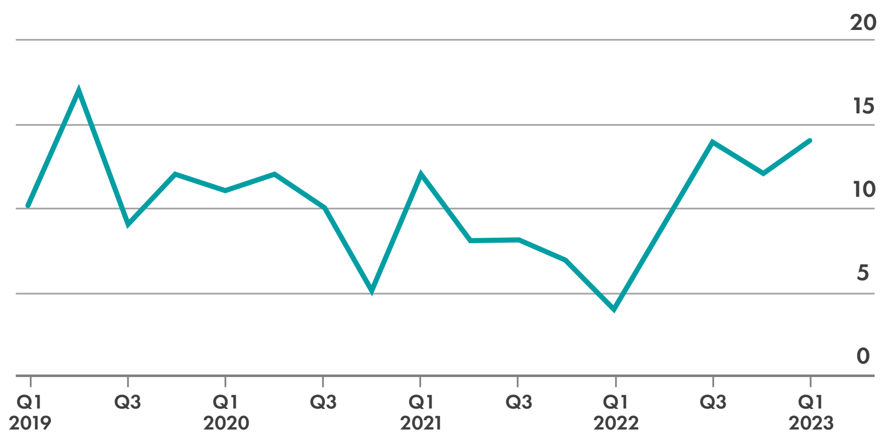
Pay transparency laws

In recent years, we have also seen several states and counties within states pass pay transparency laws. Failure to comply with these laws could lead to regulatory fines or lawsuits from third parties that feel their wages do not align with publicized pay scales due to discrimination.

Mass layoffs

Through 2022 and into 2023, we have also seen several rounds of mass layoffs from various companies. And with these layoffs have come a surge in lawsuits under the Worker Adjustment and Retraining Notification (WARN) Act.[44] Companies that intend to implement rounds of layoffs impacting several employees need to be aware of their legal obligations at both the state and federal levels.

Federal WARN Act Complaints Rose in 2022, Early 2023



Source: Bloomberg Law[45]

**Trends applicable to both public and private companies.*

Implicit bias and Artificial Intelligence (AI)

Because AI helps organizations improve operational efficiency, AI continues to become embedded into more business practices, including recruitment and hiring. If you choose to employ AI systems for recruitment and hiring, be aware of any bias algorithms may hold toward specific groups because this may result in discrimination litigation and EPLI claims.

Larger claims

Finally, we are seeing fewer EPLI claims, but the claims that we are seeing have been larger. Many organizations have implemented corrective measures in the wake of social justice movements that address workplace harassment and discrimination, leading to fewer claims. However, when companies are found liable for failing to address deep-seeded, systemic, problems, they are paying the price.

Entrenched Trends

Social inflation, nuclear verdicts, and third-party litigation funding continue to be significant concerns for underwriters. Developments in social justice movements and their impact on laws and regulations continue to impact EPLI claims and drive rates up. Underwriters continue to pay close attention to industry-specific exposures and whether your company operates in states with employee-friendly laws and regulations.

Your Beacon of Opportunity

Management Liability

As workplaces continue evolving to accommodate the needs and expectations of diverse employees, they need to partner with trusted legal counsel to ensure compliance within a complex regulatory landscape. Be sure to review your employee handbook and related policies with your relevant stakeholders, including legal, compliance, risk management, HR, and IT leaders, to build appropriate, inclusive policies that you can clearly communicate with your employees. Seek guidance from your BRP advisor to help ensure alignment of regulatory requirements and your risk management strategy.

Directors & Officers (D&O) Liability

Emerging Trends

Softening market

Public companies are now experiencing a softening market, with renewals being flat or even slightly decreasing in some cases. This is because more insurers have entered the D&O marketplace, creating more capacity. Since IPO and SPAC activity decreased in 2022, several D&O insurers increased their underwriting appetite to compete for business opportunities.

In the private D&O space, rates have also begun to moderate, but at a slower pace than in the public D&O market. Though new carriers have entered the market, because private D&O carriers often find themselves having to pay big claims for smaller premiums in comparison to their public counterparts, this creates greater exposure.

2023 price prediction: +3.1%[46]

Public companies are now experiencing a softening market, with renewals being flat or even slightly decreasing in some cases.

Environmental, Social, and Governance (ESG) Initiatives

For public and private company D&O, underwriters have begun to pay more attention to ESG policies and their implications for claim incidences. This is because activists have brought litigation against business leaders for misrepresentations of their company's actions around board diversity, climate change, and social equity.

Entrenched Trends

For both public and private companies, social inflation and nuclear verdicts are ever-present concerns. Additionally, underwriters will continue to look for evidence of strong cybersecurity practices. Board members of both private and public companies must continue to provide buy-in for appropriate cybersecurity policies and controls because failure to do so could lead to lawsuits, especially in the event of a cyberattack.

Your Beacon of Opportunity

D&O Liability

Get an analysis of your D&O program structure from a trusted advisor to ensure you have a complete understanding of your exposures. Once you understand your risks, take the proper steps to address risks and remain compliant.

It's important to also understand what other companies in your same market cap are paying for D&O Liability Insurance and the limits and applicable retentions. Having this visibility enables you to assess whether your company is properly covered – paying too much or too little based on current claims and litigation data.

We recommend the 2023 NASDAQ D&O Benchmarking Report. The report provides key policy information from over 350 publicly traded U.S. companies listed on NASDAQ.

Access the report here and learn more about the data provided.

Fiduciary Liability*

Emerging Trends

2023 price prediction: +2.0%[47]

Environmental, Social, and Governance (ESG) policies and fiduciary risk

More organizations are factoring ESG into their investment policies, but if they do so, they need to be aware of potential litigation that could arise. In fact, we are already seeing litigation around ESG divestiture in pension plans. This is because ESG is yet another issue that has become highly politicized in the U.S. Plan sponsors that want to align their investing decisions with the goal of limiting global warming could face claims that these choices are at odds with their fiduciary duty to beneficiaries to maximize investment returns. On the flip side, plan sponsors that do not consider ESG in their investment policies might be met with claims that they are not properly addressing the threat that climate change poses to long-term investments.

SECURE 2.0 Act

On December 29, 2022, President Biden signed into law the SECURE 2.0 Act, as part of the Consolidated Appropriations Act, which includes retirement plan reform legislation.[48] The SECURE 2.0 Act includes several provisions that impact retirement plans. Be sure to consult with a trusted legal and retirement advisor to learn how you can comply with these changes to avoid fiduciary claims.

Inflation's impact on health plan administration

Finally, rising medical costs due to inflation might impact your organization's ability to offer health benefits. Should you have to cut back on offerings or increase co-payments, consult with your legal and risk management teams about any potential fiduciary exposures. Furthermore, when we consider the growing popularity of reference-based pricing (RBP) in the employee benefits space and the Federal Government's endorsement of RBP as a cost-containment strategy, claimants may argue that fiduciaries should at least evaluate its merits before cutting back on health benefits.[49]

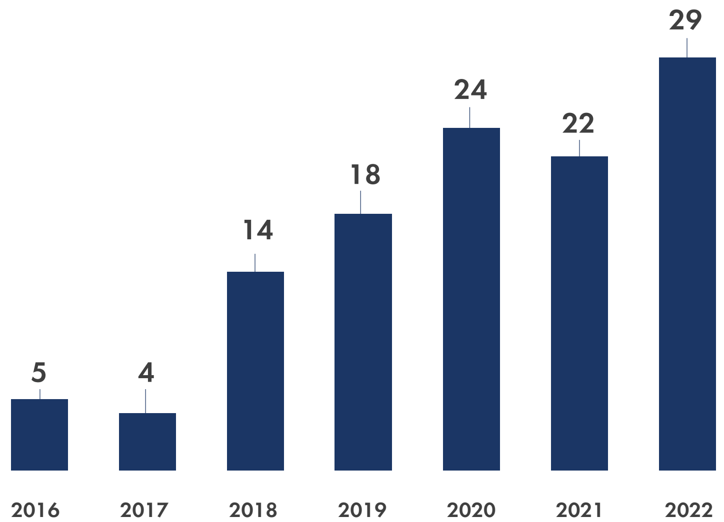
Entrenched Trends

Social inflation has even had an impact on the fiduciary liability market, as evidenced by an uptick of excessive fee litigation. In excessive fee claims, plaintiffs argue that plan fiduciaries have failed in their duty to ensure optimal investment performance, maintain appropriate documentation, and pay reasonable management fees.

We first noticed filing activity for excessive fee claims increase substantially in 2020, with this trend continuing in subsequent years through 2023. In fact, in 2022 claimants filed 88 excessive fee lawsuits against retirement plans, the second most ever. Lawsuits have impacted organizations in the public, private, and nonprofit sectors with retirement plans amounting to less than $500 million to billions in investments.[50] The average settlement value of cases resolved from 2016 to 2022 was about $9.3 million.[51] Carriers have responded to this worrying trend by increasing retentions and premiums, with underwriters asking questions about retirement plan management protocols.

Underwriting questions will also ask about cyber protections, as plan sponsors have an obligation to properly mitigate cybersecurity risk. The Department of Labor (DOL) issued cybersecurity guidance for employee retirement plans in April 2021.[52] Plaintiffs could use the DOL's guidelines as a point of comparison in proving that plan sponsors have not taken the necessary steps to mitigate cybersecurity concerns related to plan administration.

**Trends applicable to both public and private companies.*



NUMBER OF SETTLEMENTS PER YEAR

Image Source: Chubb[53]

The average settlement value of cases resolved between 2016 to 2022 was approximately

$9.3 million.

The total amount paid in settlements from 2016 to present is over

$1 billion.

Your Beacon of Opportunity

Fiduciary Liability

Ensuring compliance with ERISA, DOL, and IRS regulations is the first step you can take to help reduce fiduciary exposures. Take action to ensure, establish, and maintain prudent processes for fiduciary decisions, documenting them in a clear and organized manner. Also, be sure to talk to your BRP advisor about the underwriting questions carriers may ask you to help prepare for your renewal and get the best terms for coverage.

Emerging Trends

2023 price prediction:

+8.4%[54]

Signs of rate stabilization

If you needed evidence that the insurance market is like a roller coaster, consider cyber coverage. Widespread cyberattacks amounted to significant losses for carriers in recent years, with policyholders feeling the impact in the form of steep rate increases, intense underwriting scrutiny, and sometimes declination. Fortunately, several signs indicate that the cyber insurance market may be stabilizing. Though many organizations might still see rate increases, they seem to be moderating.

Because of pricing increases and strict underwriting standards, carriers have recouped some of their losses from previous years. Since more organizations have fortified their cybersecurity defenses and are able to demonstrate that they are prepared to rebound from attacks, this amounts to less exposure for carriers and results in improved rates.

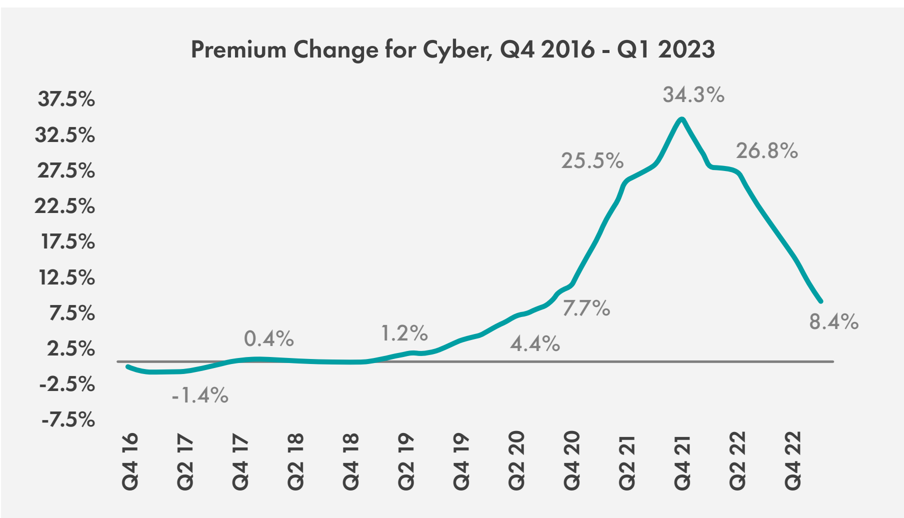


Image Source: CIAB[55]

The FTC has recently ramped up its setting, scrutiny, and enforcement of cybersecurity and data privacy standards.

Keeping up with the FTC

Considering these positive developments, pay heed to emerging areas of risk stemming from the regulatory landscape. The FTC has recently ramped up its setting, scrutiny, and enforcement of cybersecurity and data privacy standards, and this impacts organizations of all sizes and industries. Entities that fail to comply are paying the price to the tunes of millions or hundreds of millions of dollars.

BIPA litigation

Another area of growing cyber risk is the increased frequency of litigation tied to the Illinois Biometric Information Privacy Act (BIPA). Nearly 2,000 lawsuits have been filed since 2017 alleging violations of BIPA alone.[56] And the insurance market is paying attention, with several carriers beginning to add BIPA exclusions to their policies.

Privacy legislation at the state level

More states have also begun to introduce privacy regulations that emulate the European Union's General Data Protection Regulation (GDPR), though there is no equivalent to the GDPR at the federal level. Failure to comply with these various legislations could result in legal action from third parties and hefty fines from regulatory bodies.

Acts of war – exclusionary language

Considering geopolitical conflicts, such as the Russia-Ukraine war, insureds also need to be aware of exclusionary language that continues to emerge in policies around acts of war. Companies seeking cyber coverage may be affected as the scope of exclusions is broadening to include consideration of cyber war exclusions for many policies.

Entrenched Trends

As is always the case, old threats remain, and as malicious actors become craftier, new cyber threats continue to emerge. How you demonstrate your ability to respond and curtail cyber threats, such as ransomware, insider threats, supply chain risks, service provider outages, business email compromise, and human error, will continue to impact your limits, rates, and terms for coverage. Though rate increases have moderated a bit, this is not an indicator that you should neglect cybersecurity at your organization. Consider this: the average cost of a data breach is projected to exceed $5 million in 2023.[57]

Your Beacon of Opportunity

Cyber

From staying up to date with cybersecurity regulations to defending valuable data from malicious actors, there's no question about it – the cybersecurity risk landscape is complex. Though each business has a unique cyber risk profile, implementing the recommendations in the FTC's consent decrees, knowing carrier requirements for coverage, and understanding best practices around data collection and storage is a good foundation from which you can build on.

As your coverage and policy language changes, you need to understand what is in the fine print so that you do not experience significant coverage gaps in the event of a cyberattack. BRP's experienced cyber insurance advisors can explain what your insurance policy covers, and help you take advantage of insurers' pre-breach services, which often include vulnerability scanning, employee training, and more.

Umbrella Liability

Underwriting discipline to continue in light of claims volatility

Emerging Trends

Growing market capacity

After years of dealing with diminished capacity due to a growing number of claims, new capacity is now entering the umbrella liability market. This new capacity has helped the umbrella market begin to stabilize, though underwriters will likely continue to practice discipline to address ongoing concerns with nuclear verdicts and social inflation.

2023 price prediction:
+8.5%[58]

Exclusionary language

Organizations with sexual abuse and molestation exposures also need to pay attention to carriers adding exclusionary language around these claims, especially considering a shifting legislative landscape at the state level.

Entrenched Trends

For yet another year, economic inflation, social inflation, and nuclear verdicts are the dominant forces placing upward pressure on rates for umbrella liability.

The Facts

Social inflation has had a significant impact on public opinion and jury awards.

Nuclear verdicts - or awards that surpass
$10 million
are on the rise.
Risk & Insurance

48% of Americans
said they have a negative view of Big Business
Gallup Poll

From 2014-2019, U.S. plantiff awards have almost doubled in total dollar amounts, with a few exceeding
$1 billion
Insurance Information Institute

In 2019, the largest jury verdict amounted to more than
$8 billion
in damages.
Verdict Search

Source: AmTrust Financial[59]

Your Beacon of Opportunity

Umbrella Liability

Organizations that implement the best safety, operational, and financial controls will likely achieve the best outcomes. BRP advisors will help you determine how to paint a narrative of your risk that underwriters will understand. For example, if you did experience a loss, be able to explain why it happened, what lessons you learned from it, and the steps you will take to try and avoid it in the future. Additionally, our advisors can explore options with you to counter rate increases, including, but not limited to, increasing self-insurance or using better performing lines, like workers' compensation, to leverage rate negotiations.

Excess & Surplus Market

Large loss trends negatively impacting pricing

The excess and surplus (E&S) market provides coverage for risks that standard insurance companies are unwilling or unable to insure due to high-risk or unique exposures. E&S insurance is a popular choice when markets are challenged because it offers more flexible underwriting, higher limits, and specialized expertise.

2023 price prediction:
+25%[60]

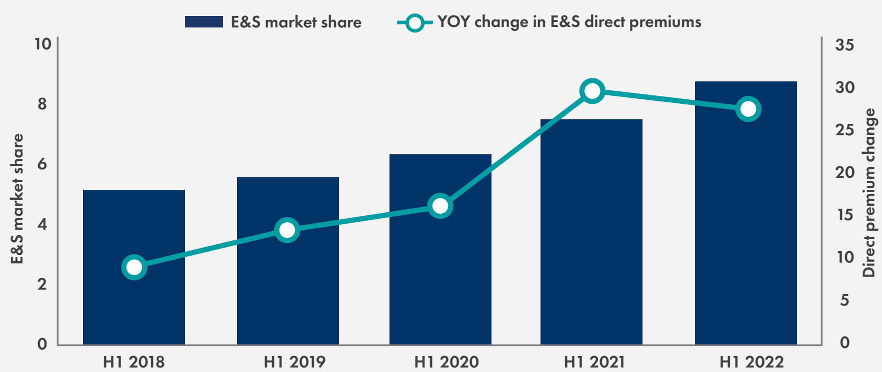
Emerging Trends

Increased uptake

Since insureds have experienced significant challenges obtaining coverage and the effects of a hardened market, more organizations are now utilizing excess and surplus (E&S) markets to secure coverage.

In fact, an S&P Global Market Intelligence analysis found that E&S direct written premiums in the U.S. increased 27.6% year over year in the first six months of 2022. In comparison, the total U.S. P&C market excluding E&S premiums grew by 8.4% in the same time period.[61]

E&S premiums are a growing share of property and casualty insurers' premiums (%).



Data compiled Oct. 29, 2022

Source: S&P Global[62]

New market entrants

In 2022, we also saw over 20 new entrants in the market, which have increased E&S capacity, though the effects on rates have yet to be seen.[63]

Entrenched Trends

Though not as high as in 2022, organizations will likely see rate increases for E&S lines. This is because catastrophic losses due to extreme weather events and nuclear verdicts continue to impact the availability and terms for coverage.

The economic environment also continues to impact the E&S market, with inflation holding steady and making it difficult for underwriters to properly price coverage.

Ultimately, organizations in industries with legal risks, operations in Nat Cat exposed geographies, and loss histories will experience a difficult market, while those with favorable risks are likely to see flat or single digit increases.

Your Beacon of Opportunity

Excess & Surplus Market

Getting ahead of your renewal will be key to obtaining the best market results in the E&S market, especially if your company fits any of the parameters of a challenged risk as detailed previously. Be ready to have a conversation regarding the valuation of your assets, and be prepared to provide evidence of any loss controls you have in place. If you want to understand best practices regarding risk management protocols and preventive measures, connect with your BRP advisor.

Rates

By-Line Fourth Quarter 2022 Rate Changes Ranged from -1.1% to +16.0%

	Comm'l Auto	Workers' Comp	Comm'l Property	Gen'l Liability	Umbrella	Average
Fourth Quarter 2022	7.3%	-1.1%	16.0%	4.9%	9.6%	7.4%
Third Quarter 2022	7.6%	0.7%	11.2%	5.7%	11.3%	7.0%
Second Quarter 2022	7.2%	-1.2%	8.3%	4.7%	11.3%	6.1%
First Quarter 2022	5.9%	-0.5%	8.6%	3.9%	10.5%	5.7%
Fourth Quarter 2021	8.0%	0.3%	10.5%	6.4%	15.0%	8.1%
High	28.6%	24.9%	45.4%	26.0%	51.9%	35.3%
Low	11.6%	-12.3%	-15.0%	-13.6%	-13.5%	-13.2%

Rate Changes in Other Lines

Broker E&O	3.3%	15.4%	-4.5%
Business Interruption	6.7%	28.8%	-10.2%
Construction	5.4%	38.7%	-10.7%
Cyber	15.0%	34.3%	-1.5%
D&O Liability	4.4%	32.4%	-8.7%
Employment Practices	4.2%	21.9%	-8.1%
Flood	5.1%	8.6%	-2.7%
Marine	2.8%	4.5%	-10.6%
Medical Malpractice	4.3%	32.5%	-4.1%
Surety Bonds	1.6%	11.2%	-2.3%

Source: Council of Insurance Agents and Brokers, "Commercial Property/Casualty Market Index Q1/2023", Q1 2023

Answering the Call – Managing the Cost of Risk and Insurance

Insurance premiums are higher, the overall cost of owning a business is growing, and you are left to figure out how to manage it all. It is no wonder why 80% of respondents in CIAB's Q1 2023 P&C market survey stated that they were deeply concerned about high premiums and future increases.[3] With carriers increasing underwriting scrutiny as a response to unfavorable conditions, getting ahead of the underwriting submission process, preparing a narrative of your risk that carriers can easily understand, and investing wisely in both insurance and loss containment can be the difference between getting the coverage you need, seeing exorbitant rate increases, or worse – getting declined.

We understand that you cannot control the P&C market and all variables that are driving the cost of premiums upward. However, there are many things you can do to help get optimal marketplace results for your business's exposures. You might need to transform your approach to and perspective about risk management, but doing so can empower you to make the best of today's circumstances so your business can thrive when conditions improve.

Though a hardened insurance market is undoubtedly difficult to navigate, and there is no magical solution that can fix all the problems we collectively face, current market conditions highlight the importance of being as proactive as possible in managing the overall cost of risk to get the best underwriting results from carriers. Implementing these strategies can pay dividends in good times, and especially in challenging times.

Consider taking the following steps to help manage the overall cost of your risk and insurance:

BRP

1

Identify your risks and understand how they impact your cash flow

In order to know how to mitigate your risks and how you can best use insurance to financially protect your business, you need to identify the exposures your organization faces, and the financial consequences should you fail to address them. Quantifying risk in dollar amounts empowers you to invest intelligently in loss controls and properly structure coverage to avoid coverage gaps and overlaps. This process also helps you see areas where you might be able to transfer risk to vendors or subcontractors.

2

Regularly conduct risk assessments

Because risks take all shapes and forms and come from many directions, regularly conducting risk assessments better positions your company to adapt to the constantly evolving risk landscape that characterizes the world today. When any of your operations or assets change, so do your risks. Communicate with your trusted advisor to ensure that insurance coverages align with these changes as they happen.

3

Reconcile all valuations

With carriers zeroing in on valuations during the underwriting process as a response to inflation's impact on replacement costs and profit margins, insureds and brokers need to confirm all assets are measured accurately. Failure to do so could land your submission on the bottom of the pile. Staying on top of the valuation process can also improve negotiation leverage in the market.

4

Evaluate your risk tolerance and deductible structures

Understand how much coverage you're purchasing and how deductibles impact your liabilities. If you have a higher risk tolerance, you may be able to lower premiums after reviewing for financial feasibility. Ask your advisor to evaluate creative program structures, like deductible buydowns, deductible indemnity agreements, captives, and parametric insurance (loss mitigation).

5

Explore captives

Captives are options that provide companies of all sizes more control over risk management and cost containment, which reduces the overall cost of risk. A captive is an insurance company that is wholly owned and controlled by its insureds. Its primary purpose is to insure the risks of its owners and its insureds benefit from the captive's underwriting profits. Though captives may not be the right solution for everyone, financially stable companies with good loss ratios, good claims histories, and good risk management strategies might be good candidates for this option.

6

Invest in loss controls and risk mitigation strategies

Investing in loss controls has up-front costs, but these investments are usually insignificant compared to the financial burden of a loss. Examples of loss controls include investments in hardening your buildings, employee safety training programs, disaster preparedness plans, cybersecurity tools, establishing safety protocols, and more. Underwriters want to see that both proactive and reactive measures are in place. Proactive loss controls are the actions you take to prevent claims from happening. Reactive loss controls are the corrective measures you take as a response to loss to prevent similar events from happening again in the future. For example, if you experience a cyber breach, what actions will you take to prevent a similar breach from happening in the future?

7

Vet all vendor relationships

Understand how contracting with other parties can create risk for your business, and find ways to reduce this risk. Most companies rely on third-party service providers and vendors to support their business, and they introduce layers of risk to your organization. This can take the shape of cyber risk, supply chain risk, and more. When you are entering an agreement with vendors and service providers, all involved parties need to think about how contractual risk fits into the picture.

8

Be prepared for your renewal

Do not wait until the last minute: begin preparing for your renewal at least four months before coverage is bound. Develop and document a strategy to keep yourself and your advisor accountable throughout the renewal process so that you can do everything within your power to get the best terms from carriers. Work with your advisor to hold stewardship meetings to keep everyone informed of current market conditions and what to expect at renewal.

9

Prepare a narrative underwriters will understand

The underwriting data you provide to the market needs to be complete and easy to understand. In many cases, tailoring the data for input into various underwriting models will help expedite the process and result in better market feedback. Although it is not always the case, generally the price underwriters charge for uncertainty is greater than if they know the full scope of an account's history and all underwriting information is provided in a user-friendly manner.

10

Demand a thorough coverage analysis from carriers

Both you and your broker should have full policy forms and endorsements on file. Doing an audit of all policies helps ensure coverages are adequate and meet your goals. In a hard market, insurance companies will seek to include endorsements and policy language that limit or remove previous coverages. Be sure to address all policy changes.

A Partnership That Delivers Results

Because of market conditions, it is important for you to partner with an advisor who has demonstrated knowledge and experience, within your industry and with various complex coverages, that can help you execute the aforementioned strategies. Working with our team of experts can help you quantify your risks, determine where you are most financially susceptible to exposures, and determine which loss controls you should implement to protect your assets and investments.

BRP has cultivated creative, insightful advisors who comprise our specialized Industry Practice Groups and coverage Centers of Excellence. Our commercial risk advisors focus on retaining specialized expertise within the industries our clients operate to help design and place multifaceted programs across all our areas of specialization. Having seen countless scenarios play out, they have the experience and resources to help you improve how you approach risk and find insurance that meets your needs as they evolve. We know how to put you in a position where underwriters are more likely to see your risk profile in a favorable light.

We strive to become an extension of your team and deliver risk mitigation strategies and insurance architecture that align with your goals from day one, in addition to assisting with the implementation of loss control strategies to manage the overall cost of insurance.

Here are some ways we help our clients:

Keeping you abreast of market changes

We stay up to date with the market and communicate how changes to underwriting standards may impact your coverage.

Accessing global markets

Our team has access to global markets and knows how to align insurance coverage and risk mitigation coordination for global operations. We have strong, long-term relationships with the world's top insurance carriers.

Navigating regulatory requirements

With commercial risk experts who understand the challenges of both the insurance industry and specific industries in which businesses operate, we can help you understand the complex web of regulations you have to adhere to, which can help you avoid regulatory fines and costly litigation.

Tailoring your insurance program

Determining the right coverages and limits for complex operations requires the highest level of expertise. With decades of industry experience, our advisors know how to tailor insurance programs for clients' unique needs. We look at all coverage options, from those available in the insurance marketplace to captive programs, and make recommendations based on your company's specific needs.

(continued on the next page)

Breaking down communication silos

Implementing an efficacious risk management program within your company will require collaboration between various individuals, from board members to the C-suite, and even individual contributors. Our commercial risk advisors know how to communicate with stakeholders so that all relevant parties understand the importance of investing in risk management, and their respective roles and responsibilities in applying best practices. This allows us to communicate to underwriters that there is a culture of risk management at your company, which can result in improved rates and terms for coverage. We also create an open channel of communication between your business and carriers so there are clear expectations for all parties involved regarding the submission process.

Loss control services

We provide insights and access to resources, such as safety training programs and technology, that reduce the likelihood of claims occurring. Our goal is to establish a culture of risk management that prioritizes safety, compliance, and education, so that our clients can manage their exposures, stay ahead of the competition, and protect their most valuable assets. This allows you to obtain better results in the insurance marketplace and be more defensible should a lawsuit occur.

Providing detailed claims analysis

Our in-house team of advocates helps expedite and manage the entire claims process so clients can maximize recovery and reduce their cost of risk. We identify what caused a claim to happen and provide recommendations about risk mitigation strategies to reduce the severity of claims in the future.

Employee benefits expertise

In addition to commercial risk advisors with specialized expertise in the various industries, our employee benefits advisors can help you build a cost-effective benefits program. Having both your benefits and commercial risk programs live under the same broker eliminates communication silos and allows both teams to collaborate with ease. While commercial insurance and employee benefits manage different corporate risks, they do not operate in silos. Information that nominally impacts a commercial risk coverage can often impact rates and provisions available from benefit carriers and vice versa.

With underwriting scrutiny at an all-time high and carriers providing less favorable terms for coverage, now is the time to work with a team of experts with a proven track record of success.

Contact our team today to learn more about how we can help you assess your risks and protect your assets and investments.

Employee Benefits

2023

K&S INSURANCE
A BALDWIN RISK PARTNER

BRP

State of the Market Mid-Year Report

Executive Summary

At this time, the financial stress on employers may never have been greater. In particular, the skyrocketing cost of healthcare is pressuring employers to consider and adopt more effective cost-containment strategies than in recent years.

Insurance Trends & Market Drivers

- **Less willingness for insurance carriers to negotiate rates for fully insured plans** based on current employee health trends and increases in utilization.
- **A growing interest in self-insurance** that can give employers, especially those with 300+ employees, more control over health plan costs than traditional fully insured models.
- **More visibility into healthcare pricing** by using direct-to-employer (DTE) contracts with health systems, better pharmacy benefits negotiations, and value-based (or reference-based) pricing.
- **More integration of healthcare services through telehealth platforms** that provide for a wider range of services, from primary care to mental health to urgent care, with added convenience over traditional in-person delivery methods and at a more affordable cost for both employees and employers.
- **A hyper focus on data** to drive better decisions not only around what benefits to offer, but also about how to manage benefits efficiently and effectively for the best outcomes at a better cost.
- **An earnest embrace of technology,** which is disrupting just about every facet of the workplace and can be leveraged by employers as they move toward more modern, safe, and highly efficient business environments.
- **Greater need for guidance and expertise to navigate diversity issue**s, particularly about how to adapt and adopt policies that build more inclusive workplaces.

The need to balance cost containment with an ever-growing list of employee needs is not just creating challenges for employers. It is also generating opportunities for employers to rethink elements of their entire "work sphere" in order to rein in costs, improve profitability, increase efficiency, drive productivity, enhance competitiveness, and keep employees satisfied.

In this report, you will get a more in-depth look at both emerging and entrenched insurance trends, significant market drivers, the impact on rates, and recommendations for how stakeholders in this marketplace can effectively move forward.

Market Drivers

Against the backdrop of vigilant cost containment trends amid what appear to be inevitable rate increases, employers are also dealing with a number of market factors and sociodemographic trends that are driving a true metamorphosis in employee populations across the U.S.

Among the key market drivers:

Age-Diverse Workforce

Currently, many employers are dealing with an age-diverse workforce. The annual growth rate of employees in the 16–24-year-old age bracket is declining significantly, and the 55 and older age bracket is averaging a growth rate of more than three times the overall labor force. Sitting at nearly 64% of the workforce are the employees in the 25–54-year-old age bracket.[64]

These significant shifts in workforce demographics are causing employers to rethink spend on employee benefits. While older groups are likely to move on to Medicare plans, they may still have needs for retirement plans or other ancillary benefits. And as the younger population in the workforce declines, the need for benefits they would find attractive also declines. So, employers are left to focus on the largest population of 25–54-year-olds and their needs, while still maintaining a balance to help retain the experienced upper tier group and attract young talent.

Percent change in civilian labor force by age, 2000–10, 2010–20, and projected 2020–30

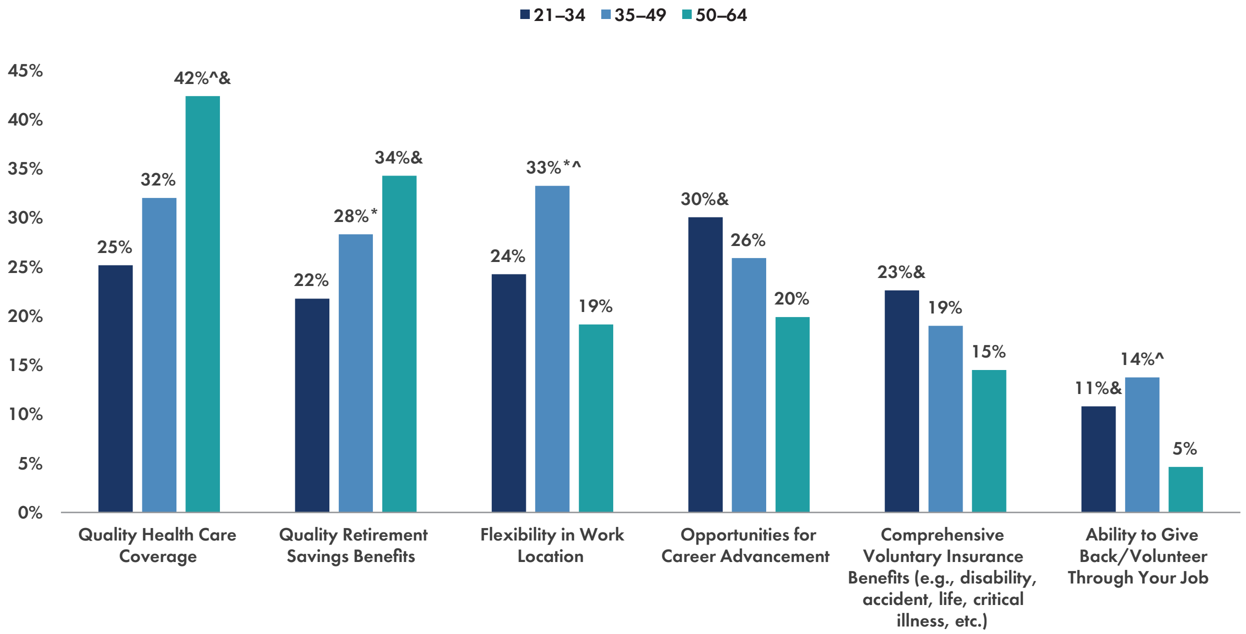
Source: BLS[65]

Benefits Preferences (by age range)

Most concerned with pet insurance available as a benefit.	Most likely to want mandatory paid time off.	Looking for employer-covered healthcare.
More than 30% (aged 18 - 41)	**Nearly 40%** (aged 42 - 57)	**About 80%** (older than 42)

Source: Forbes[66]

Benefits Workers Value Most Beyond Income and Compensation



Source: Employee Benefit Research Institute and Greenwald Research 2022 Workplace Wellness Survey.
* Difference between ages 21 –34 and 35–49 statistically significant at 95% level.
^ Difference between ages 35 –49 and 50–64 statistically significant at 95% level.
& Difference between ages 21 –34 and 50–64 statistically significant at 95% level.

Source: EBRI[67]

Industries with oldest workforces

Industry	Median Age of Workers
Agriculture	48.1
Public Administration	45.6
Financial Services	44.6
Manufacturing	44.3

Source: BLS[68]

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Age-Diverse Workforce

Since health, wellness, and retirement benefits tend to be especially important to older workers, make sure employers in industries that tend to have the oldest median ages (see chart) have a benefits strategy in place that supports this cohort's needs and preferences. For example, a robust package of voluntary benefits can help employers engage, attract, and retain workers of all ages because they offer a wide range of supplemental benefits that employees value the most and allows them to pick and choose the ones they want and pay for them through payroll deductions at group discounts. Work with your BRP advisor to create a bespoke program that meets the needs of your company and diverse employee population.

Widening Skills Gap

Of course, with an aging workforce comes retirement. In just a few short years, the majority of Baby Boomers will have aged out of the U.S. workforce. But, according to a report by Korn Ferry, Gen X and Millennial workers will not have had the time or training to claim many of the high-skilled jobs left behind.

This is creating a widening skills gap for today's employers. With fewer younger people to come up through the ranks, and fewer lacking the skills needed to interact with new technology, there are likely to be fewer experienced people to take the reins in years to come.

> **"9 out of 10 global executives and leaders say that their organizations face a skills gap or expect to develop additional skills gaps in the next 3 to 5 years."[69]**

Your Beacon of Opportunity

Widening Skills Gap

Employers should seek guidance from your trusted BRP advisor to facilitate the implementation of strategies that will help ensure they have the talent they need to meet future growth goals and objectives. Recent layoffs in the tech sector, for instance, have left experienced professionals with in-demand IT skills without jobs and available for new employment outside traditional technology spaces. In addition, new, automated training and development platforms can not only make it easier to upskill, reskill, and retain existing employees looking for new opportunities to grow with their employers, but also help to establish a continuous culture of learning throughout their organizations to fill skills gaps in the future.

Greater Diversity

Concentrated initiatives to make workplaces more inclusive have spurred business leaders to reevaluate and update employment policies, creating even more representation throughout their organizations. As a result, a greater mix of groups comprises the workforce, all with varying needs, preferences, and lifestyles for employers to recognize and support.

While managing the benefits needs of a diverse workforce along with the company's financial requirements can be challenging, the potential benefits can be valuable to the bottom line in a few ways, such as:

- Innovation and creativity: Individuals with varying backgrounds, experiences, and perspectives can offer novel ideas, approaches, and solutions to help a company stay ahead of its competition.
- Improved customer engagement: A diverse workforce can better connect with a diverse customer base, which can increase customer loyalty and sales.
- Increased employee engagement: A company that values diversity and inclusion can create a more engaged and positive workforce – helping improve employee retention, productivity, and motivation.
- Expanded talent pool: A commitment to diversity can help a company attract and retain top talent from a wider pool of skilled and capable candidates.
- Globalization: As companies expand into new markets around the world, they need employees who can understand and connect with diverse cultures and business practices. A diverse workforce can provide this expertise and help a company successfully navigate global markets.

A more diversified workforce is bringing positive impacts to employers. In a recent analysis, McKinsey & Company found that companies in the top quartile of gender diversity on executive teams were 25% more likely to experience above-average performance.[71]

Your Beacon of Opportunity

Greater Diversity

A comprehensive benefits strategy can help attract and retain employees from all backgrounds. Talk with your BRP advisor about available resources that can help enhance existing recruiting policies, diversity training, compliance with anti-discrimination laws, and mentoring programs that can all be instrumental in solving challenges, breaking down barriers, and creating even more diverse and equitable workplaces that employees can appreciate.

A Greater Emphasis on Lifestyle Benefits

Greater diversity in age, generation, ethnicity, and sexual orientation, for example, is driving the need and preference for different lifestyle benefits across employee populations.

But as more budget spend is allocated to provide health insurance to employees, employers are reevaluating offerings and rethinking how to offer the expanding range of lifestyle benefits their employees also want to keep them engaged.

> **"Employees who are satisfied with their firm's DEI policies are 1.6x more likely to still be with that organization 12 months later."[72]**

Some of the Most Common Lifestyle Benefits Currently in Demand[73]

Physical

Weight loss programs

Gym / health club membership

Fitness apps or classes

Emotional

Counseling services

Meditation classes and apps

Personal development classes

Financial

Student loan reimbursement

Identity theft services

Financial planning services

Pet Insurance Premiums

Although around for a few years, lifestyle spending accounts (LSAs) are currently seeing tremendous growth in popularity. Designed for maximum flexibility, LSAs can help employers continue to balance the need to contain the cost of benefits yet still meet current and ongoing demands from employees.

> **37% of employers plan to update or add LSAs to their benefit offerings.[74]**

And because they are funded with taxable dollars, employees can use them to personalize and pay for the physical, financial, and emotional wellness perks they want – without causing their employers to duplicate benefits already offered, gain extra workload, or incur fees to manage them appropriately.

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Benefits

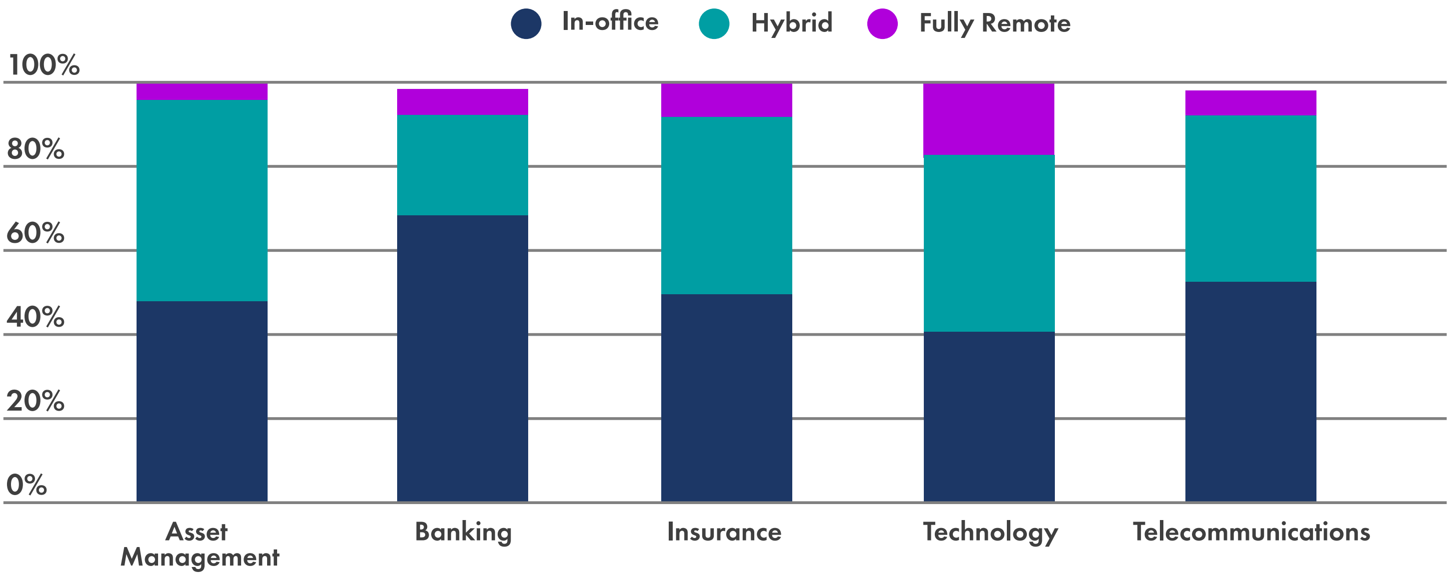
Look for wasteful spend in your benefits budgets and focus on finding alternative ways to offer the increasingly wide range of benefits your employees truly value, appreciate, and utilize. Work with your BRP advisor to evaluate and assess your current employee benefits program, then make updates to address the growing needs of your employees and help increase engagement.

Recalibration of Job Market

Recent layoffs in the tech sector and widely publicized banking failures, along with continued threats of an economic recession, are influencing employees to hang on to the jobs they have and starting to recalibrate the job market back toward employers.

Employers also appear more likely to take steps that allow for regaining a measure of control over hiring and recruiting costs, payroll, culture, and productivity that's been perceived as lost since the pandemic. Almost 70% of bank CEOs, for example, anticipate a full return-to-office work culture for their employees within three years.[76]

> **"Less job hopping and fewer counteroffers are likely as the demand for talent and the supply of candidates evens out."[75]**



Source: American Banker[77]

Wage inflation has also declined slightly over recent months, with fewer organizations planning to give pay increases this year. As many as 15% of employers remain unsure as to whether they will give raises this year.

Your Beacon of Opportunity

Benefits

To balance the current costs of recruitment with the need to fill open positions, you can benefit from increasing communication around the total value of employees' compensation packages—not just salaries and wage increases. In fact, some of the benefits employees value will not cost you additional money to provide, such as flexible work schedules, remote work, and compressed work weeks. But they can go a long way to keeping money in your company's pocket. Your BRP advisor can help you evaluate your current programs and create bespoke solutions to match the needs of your company and employees.

Insurance Trends

Today, employers face the overwhelming challenge of containing ever-increasing health insurance costs. Not only are they demanding greater price transparency from healthcare providers, but in many cases, employers are also making transformational changes in how they fund, manage, and deliver benefits for their employees.

Emerging Trends

Increasing momentum for self-insurance

To counter higher-than-expected premium increases in fully insured health plans, employers that were previously uninterested in self-funded options, with medical stop-loss to guard against catastrophic expenses, now appear more open to the idea.

Not only do Employee Benefits Advisors report an uptick in requests for self-insured feasibility analyses (SIFAs) by employers (particularly with 300+ employees), but industry research also shows an upward trend for these types of plans.

Captives, which have always been popular in the workers' compensation market, appear to be gaining traction as a point-of-entry for some employers to "test" the self-insurance market by pooling their risk with other loss- and safety-minded employers. Specific data from the Insurance Information Institute (III) shows employers can save up to 30% or more on health plan pricing when entering a captive arrangement.[80]

65% of covered workers are in self-funded health plans.[78]

The percentage of covered workers in self-funded plans is higher than it was 10 years ago.[79]

Intensifying Use of Direct-to-Employer Contracts with Hospitals

Higher and harder-to-sustain health insurance costs are forcing employers to seek greater pricing transparency for hospital services. As a result, there is wider appeal for pursuing direct-to-employer (DTE) contracts with health systems. According to a recent survey, 24% of employers are considering contracting directly with integrated healthcare delivery systems.[81]

Although they are complex and require deft coordination, DTEs allow self-insured employers to negotiate prices for medical services directly with hospitals, physician offices, and other healthcare facilities within a certain health system, and eliminate the need to deal with an insurance company. In return for preferred pricing, health systems can gain a large group of potential patients who are less likely to seek medical services at competing providers.

"We expect it [DTE] to become dominant in employer-provided healthcare benefits within the next 10 years."[82]

Leveraging cost-containment tactics for pharmacy benefits

With advances in new medications, specialty drugs, and cellular gene therapies to treat serious medical conditions, cancers, and rare diseases, the cost of prescription drugs has escalated. In fact, it is among the top three drivers of soaring healthcare costs for employers:

Projected growth for three drivers of healthcare costs:

Average annual increase through 2030[83]	
Hospital Spending	5.7%
Physician and Clinical Services	5.6%
Retail Prescription Drugs	5.0%

Higher costs associated with use and, unfortunately, abuse are being passed along to patients and employer health plans, further ballooning insurance costs. As a result, 99% of employers are concerned about this rapid and exorbitant rise in prescription drug costs.

To contain costs, employers are leveraging tactics that can help them mitigate future price increases while continuing to provide affordable and adequate insurance coverage for the medications that their employees need. In particular, there has been a step up in:

- **Separating or unbundling pharmacy benefits from their health plan,** which can often eliminate unnecessary fees and make it easier for employees to get their medications. Although it is sometimes overlooked, this strategy can help self-funded employers gain wider optics into prescription drug utilization and achieve significant savings on the cost of pharmacy benefits in their health plans.
- **Demanding coverage for biosimilars within health plans,** which can be less expensive to their biologic brand-name counterparts and effective for curbing the burden of rising drug costs. On average, biosimilar drugs cost 50% less than the reference brand product.[86]
- **Excluding expensive, nonessential, or "lifestyle" medications** from drug formularies. Express Scripts, for example, reports savings from exclusions saved clients about $14.5 billion in recent years.[87]
- **Avoiding costly network contracts with reference-based pricing**

  The trend for reference-based, or value-based, pricing is growing, with potential to increase even further. Employers can lower overall healthcare expenses by setting pricing with providers for some or all the medical services they cover for employees up front. If services are billed at a higher price, patients, not employers, are responsible to pay the difference. While industry sources peg current utilization at about 4-5%, adoption by employers is expected to grow to about 15-20% of all claims within the next 24 months.[88]

16 pharma products experienced price increases during the 12-month period from July 2021 to July 2022, which exceeded the inflation rate of 8.5% for that time period.

The average price increase for these drugs was 31.6%.

Last year, the price tag for some drugs rose by more than $20,000 or 500%.[84]

Currently:
94% of Fortune 100 companies carve out pharmacy benefits.

Employers can reduce their pharmacy spend by more than 25% on average in the first year of unbundling.[85]

Entrenched Trends

Continued economic uncertainty

Stubborn inflation and the potential threat of a recession that has been present for the past two years most likely keep both employers and employees awake at night. And while wage inflation is a bit lower than about a year ago, employers are still paying higher prices for just about everything else from necessary supplies to outsourced services. Interest rates, for example, have drastically increased, making it more expensive for businesses to borrow money to fund equipment or open more locations.

Ever-expanding virtual health

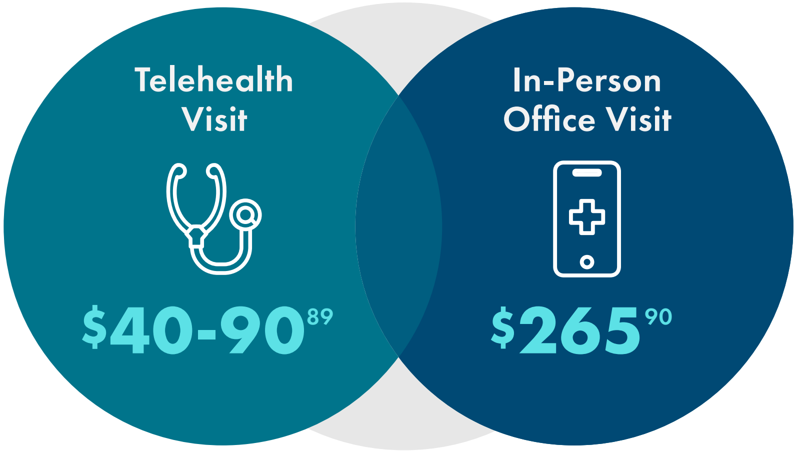
Although telehealth emerged three years ago during the COVID-19 pandemic when in-person doctor visits were not possible, it is now regarded as "here to stay" largely because it offers a number of advantages. Employees gain the convenience of receiving care from the comfort of home or work virtually on-demand and avoiding crowded waiting rooms, while employers gain more control to manage the costs of health visits, greater potential to decrease absenteeism, and increased access to data.

Key Advantages of Virtual Health:

- Offers flat fee for service
- Provides less costly and more convenient access than "in-person" doctor visits
- Usually requires lower wait times and fewer office visits to resolve patient issues
- Avoids expensive visits to emergency rooms and urgent care facilities
- Enhances diagnosis and health plan savings
- Increases productivity and decreases absenteeism for employers

Virtual health platforms are also expanding beyond strictly urgent care to critically important services, like mental health counseling and primary care. For example, the HealthJoy benefits platform recently expanded its partnership with Teladoc Health to launch virtual primary care services for employers.

Other web-based platforms are going even further to deliver healthcare to employees at any stage of their healthcare journey. Cure8, for instance, is a set of curated digital-first health management solutions, financial tools, and partner integrations that provides a continuously innovating subscription designed to improve the member experience, disrupt failing models, return patients to better health, and reduce overall healthcare spend. This service allows them to access their plans, schedule virtual primary care appointments, get referrals, earn rewards, and integrates mobile health applications and prescription services.



69% of employers say they may offer virtual primary care by 2025.[91]

It also integrates robust data around all the conditions for which an employee may be getting treatment or taking medications. That means the platform, and others like it, can give virtual health doctors the ability to see gaps in care, treat an individual holistically, and guide them through the specific care they may need, while giving employers a way to manage the health of their employee populations.

Ongoing legislative changes

While complying with rules and regulations is a normal part of benefits administration, legislative changes introduced over the last couple of years are placing more of a burden on employers to navigate effectively.

New regulations requiring more expertise and resources to manage include:

- **The Secure 2.0 Act of 2022 –** This is designed to expand coverage of employer-sponsored retirement plans by changing features, like automatic enrollments, catch-up contribution amounts, and access to emergency funds. Plus, it makes new provisions for employers to make plan contributions on behalf of employees who are paying off student loans.
- **LTC insurance law –** This requires employers in the state of Washington, and soon to be in California, to collect 0.58% from every employee's paycheck to fund long-term care insurance.
- **Changes to reproductive healthcare laws –** These can impact not only coverage under employer health plans, but also on company policies for leave management and compliance with anti-discrimination rules.

Rates

Impact of inflation and utilization

Despite cost-containment efforts, inflation and increasing utilization pushed up renewal rates for health insurance premiums this year. And as doctor visits and medical treatments continue to rise from lower pandemic levels, higher rates are expected through the 2026 plan year.

Despite projected increases, employers are still reticent to pass along any further increases in the form of higher deductibles or premiums to employees, which could further stress recruiting and retention efforts.

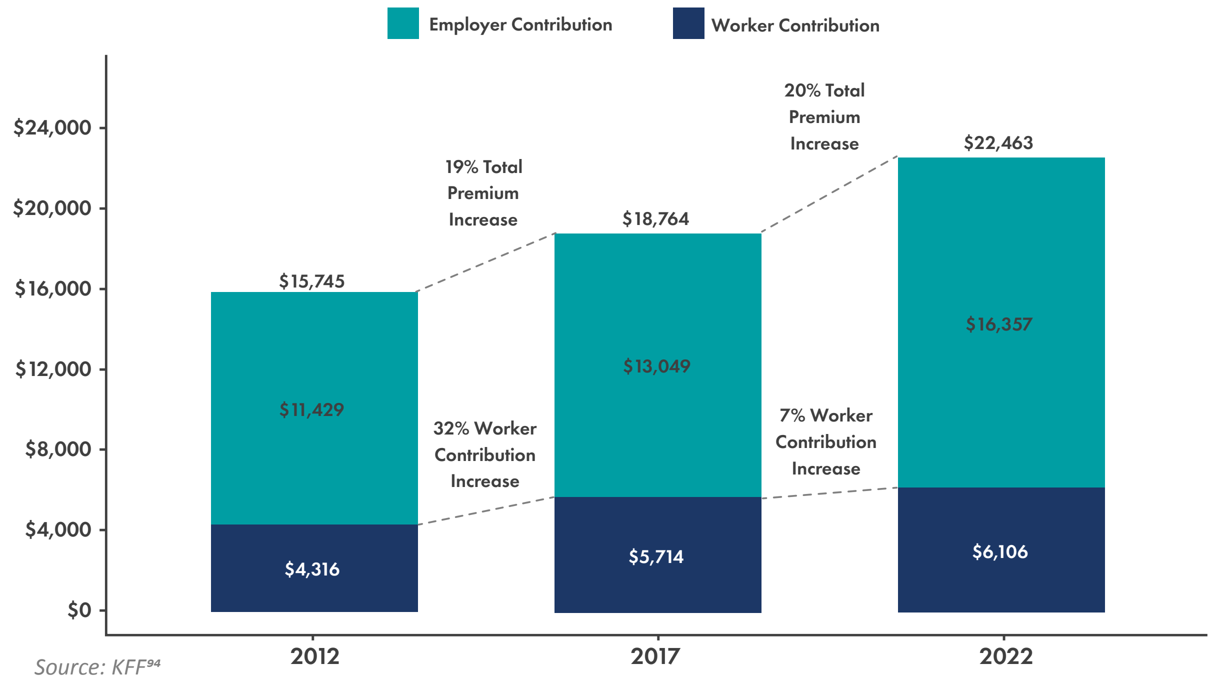
Currently, average annual premiums for employer-sponsored health insurance are $7,911 for single coverage and $22,463 for family coverage, with employers picking up about 73% of the cost.[93]

U.S. Health Expenditures

Expected to reach:

$6.8 trillion

by 2030[92]



Source: KFF[94]

Cancer-driving increases

Current industry data shows that cancer has overtaken musculoskeletal (MSK) conditions as the top cost driver. But this trend may worsen as COVID-delayed diagnoses and treatments continue to surface and bring increased pressure on rates.

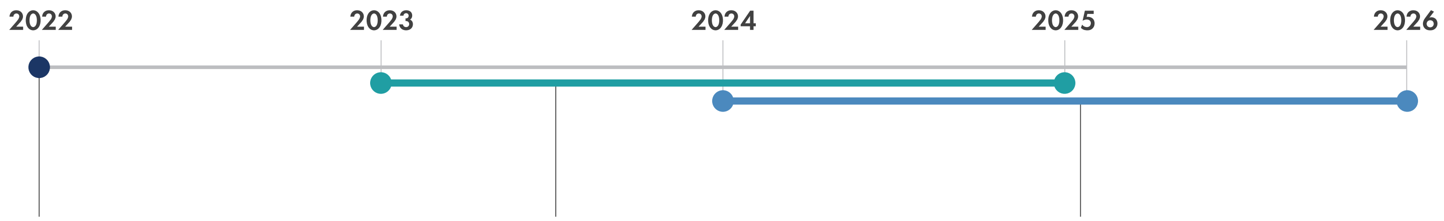
The bottom line is that carriers are not only increasing rates, but they are also becoming more selective and far less likely to negotiate with employers at renewal time. Global management consulting firm McKinsey & Company reports that employers may see healthcare cost increases of 9-10% through 2026.[96] Yet, employers say that rate increases above 4% will be unsustainable.

13% of employers are seeing a higher prevalence of late-stage cancers.

44% anticipate seeing increases in cancer down the road.[95]

Employers could face health cost increases of 9–10% through 2026 because of inflationary pressure passed through from providers.

Inflationary cost pass-through from providers to employers[97]



~$100 billion

Potential incremental annual provider costs from 2022 inflation[1]

~$80 billion in incremental clinical wage costs, and ~$20 billion in incremental non-labor spending driven by heightened inflation environment in 2022

~6%

Incremental unit cost increase passed to non-government payers over 3-year contract renewal cycle

~$70 billion of the $100 billion incremental provider cost passed to non-government payers,[2] equivalent to a 6% increase of non-government payer total medical costs

9–10%

Total rate increase passed on to employers at the next renewal during 2024-26 benefit years

Total annual rate increase to employers is equivalent to the ~6% inflationary unit cost increase on top of 3–4% annual baseline trend

[1]Based on macroeconomic forecasts from McKinsey Global Institute applied to historical provider cost pools.
[2]Based on historical provider revenue base from non-government payers and historical payer cost pools across payer lines of business.

Source: McKinsey & Company[97]

A Partnership That Delivers Results

In this current environment, partnering with a benefits advisory team that has multifaceted experience and access to resources will help employers transform their challenges into opportunities. Employers can be best served by seeking guidance from advisors like our Employee Benefits experts.

Here is how we are equipped to help you with your benefits strategies:

Highly skilled teams

Our Employee Benefits team has specialized knowledge in key areas and can share their knowledge and insight for the benefit of your company and its employees. For example, we have access to trained clinicians who can provide insightful guidance about how to analyze and leverage the right data, which can help effectively manage the health of employee populations and potentially drive future healthcare costs down.

Benchmarking capabilities

Our Employee Benefits experts can help you understand how your benefits stack up to companies with a similar employee population, and within your industry. This helps you determine how you can position your benefits as a recruiting advantage, in addition to seeing where you might be paying above market trends. If your benefits are benchmarked below the market, a strategy to enhance your benefits might be necessary.

Use of data to optimize benefits

We can help you poll your employees to learn which benefits they value most, allowing you to learn which ones are seldom used so you can remove them from your offerings. Our team can also help you analyze your health plan claims data to see which employee trends may inflate overall costs.

The ability to leverage innovative technology

This helps both educate employees and keep benefits enrollment processes fast and efficient.
When prudent, we can recommend artificial intelligence (AI) platforms, or a virtual benefits assistant to answer questions from employees about covered services. This can help reduce the workload on benefits and HR professionals, and also create a more personalized experience when enrolling in benefits every year.

With AI likely to play a bigger role in the benefits ecosystem in the future, we stay abreast of how these developments impact the delivery of benefits for you. Consider this: AI-enabled communication has the potential to create operational efficiencies. When paired with claims data, it can send automated messaging that directs, or redirects, employee behaviors away from using more expensive healthcare delivery sites and toward more cost-efficient ones to ultimately help lower the cost of claims.

An understanding of API connectivity

We can provide resources and recommendations on how to seamlessly connect different IT systems of carriers and vendors, share data, and provide visibility into how benefits are working together in real-time to enhance employee experience.

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Access top vendors

Our connections to top tier vendors connect you to solutions that can help streamline complex processes around benefits administration and other HR functions, potentially lowering overall costs. For example, platforms like Mineral HR combine HR expertise with tech-enabled tools that empower employers to tackle all things HR more efficiently, from ever-changing compliance regulations and legal issues to creating job descriptions and providing valuable insights about HR issues and trends.

Communications strategy

When it comes to implementing a successful employee benefits strategy, how you communicate with your employees will make or break it. Be sure to promote the benefits you offer continuously, throughout the year. Building an ongoing communication strategy will remind your staff of your significant investment in their health and well-being, which can help attract and retain talent.

Leveraging Alternative Funding Options

Although they come with up-front costs, alternative funding options can offer some employers a choice over fully insured models of healthcare (i.e., where employers pay health insurers for coverage) and a way to manage healthcare costs over the long term. These include self-funding, level funding, reference based pricing, and captives.

Contact us to discuss your current situation and get expert guidance about how to navigate today's market challenges and opportunities.

Private Risk

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NAVIGATING RISK. ENHANCING BUSINESS.
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BRP

2023

State of the Market Mid-Year Report

Executive Summary

The private client insurance market remains tight, and carriers' appetites for risk have changed in the continued hardened market, with the property market being particularly challenged. Carriers have adjusted their underwriting terms, conditions, limits, and prices, and more of them are exiting disaster-prone markets, leaving thousands of homeowners unprotected from the destruction of natural disasters.

Factors leading to this tight market include inflation, frequent natural disasters, widespread fraud, and post-pandemic issues, like higher replacement costs for repairs. Despite the marketplace volatility, consumers are reacting differently today compared with prior hardened markets. They are beginning to understand this market and make necessary changes to adjust for the shift. In prior years, if a consumer received a higher quote than they were expecting, they had options to obtain more affordable coverage. Today, options are limited, in some cases, forcing consumers to bear more of the financial burden to protect their assets.

No cookie-cutter formulas for consumers exist today to obtain coverage. Some examples:

- **Carriers might take on the risk to cover an individual's home and valuables but decline to provide umbrella or auto coverage.**
- **In some cases, a carrier will write a homeowners policy with a 40% increase in premium but exclude the decade-old roof.**
- **An insurer will mandate specific upgrades in the home rather than giving premium credits for those same upgrades.**
- **Carriers will allot a small number of policies to insurance brokers to give their clients.**
- **An insurer will take on the risk of a secondary home, the automobile, the RV, and the collections, but decline coverage on the primary home because the region is vulnerable to flooding.**

Historically, insurers tend to prefer writing all lines of business for an insured when possible— today, they are more selective in their offerings, favoring better performing risks and declining to insure assets they consider too risky as defined by new underwriting terms and conditions.

Now, individuals are more receptive to establishing stronger partnerships with their advisors. They know they need more creative strategies to protect their assets—even if it means to piecemeal coverage options among several different insurers or self-insure by raising deductibles to higher limits than planned.

As the hardened market continues to correct, people may begin to see light at the end of the tunnel—but it may not be the exact hue they want to see. The underwriting process is anticipated to remain stringent while premiums rise, requiring consumers to be exact when valuing assets.

In time, with inflation expected to ease, the higher insurance rates may increase at lower multiples than the last 18 months as the market becomes more sustainable and steadier.[98]

Market Drivers

At some point, you might have personally felt the impact of weather events and economic inflation. Unfortunately, these factors and additional trends, both old and new, also impact the insurance carriers that provide insurance coverage for life's unexpected twists and turns. And being able to control your insurance spend starts with understanding what impacts premium rates so you can react appropriately.

It may seem like there is nothing you can do to navigate the current market, and containing the cost of risk and insurance may continue to be challenging for many individuals. Though you might not be able to control the insurance market, you can influence the results. In this report, we talk about how and where to start.

Emerging Drivers

Industry collaboration

Today, insurers from different firms will collaborate with an advisor to collectively provide coverage options to consumers. Previously, no collaborative effort existed, as each firm competitively sought to capture an insured's full business.

Auto capacity

Insurers that provided mileage discounts or refunds to vehicle owners who drove less during the pandemic have not been able to make up for losses from accidents that continued—even with increasing their rates. Because of increased losses, insurers cannot secure enough premiums to cover potential payouts. In specific regions within the U.S., rationing by insurers to insurance brokers is becoming common. Some carriers are even terminating broker partnerships. In other cases, they are allotting a vastly reduced number of policies to offer to advisors for clients' vehicles.

The result— insurance brokers are either unable to offer policies, or if they can, a minimum number of policies by an insurer is allowed each month.

Valuables

Insurers are increasingly requiring accurate valuations for assets – leading individuals to be more diligent with valuing their collections, such as art, jewelry, and antiques. They are taking the time to get accurate appraisals, whereas several years ago, people who sought coverage would base their policies specific to a particular limit and ballpark appraisal numbers. Now, they intentionally spend time listing each asset and its specific value to secure accurate coverage.

Entrenched drivers

Inflation and the economy

The current economy offers mixed signals—despite multiple interest rate increases by the Federal Reserve in the last two years that have slightly cooled the economy. Some economists pinpoint a recession occurring in late 2023—encouraging some consumers to use creative ways to produce more income from their personal assets, like engaging in the sharing economy.

Extreme weather events

Hurricanes, wildfires, snowstorms, and tornadoes are occurring with greater frequency and intensity, and more than half of last year's global economic losses from natural catastrophes were uninsured.[99] New insurers that entered specific markets within the last two to three years are rescinding writing specific lines of their business or completely pulling out of vulnerable areas. Often, if an insurer remains, the increase in the premiums is exponential, such as a 50% uptick in rates, pricing consumers out of their local market.

Social inflation

In today's increasingly litigious society, insurers' claims costs are soaring above economic inflation due to the increase in litigation costs brought by plaintiffs who seek large monetary disbursement for their injuries. Societal trends, such as increased litigation, plaintiff-friendly legal decisions, broader contract interpretation, and larger jury awards have led to the rising insurance claim costs.

Nuclear verdicts

Umbrella insurance has been the safety net for those needing coverage above and beyond what's provided in their other policies. But the umbrella market has also narrowed significantly over the past five years. Deep pockets and increased jury awards over $10 million have adversely impacted insurers and the coverage limits that they can offer.

Fraud

The number of people reporting false or exaggerated information on a claim is increasing as they seek to receive a larger payout from their insurer. Because this type of fraud happens more often now, insurers have raised rates to recoup losses. Data shows that insurance fraud costs consumers at least $308.6 billion each year, with fraud occurring in about 10% of property-casualty insurance losses. As a result, coverage affordability and availability are eroding as insurers deal with skyrocketing payouts.

> **Insurance fraud costs consumers at least $308.6 billion each year.**

Insurance Trends

Home Insurance

No respite in sight from Mother Nature's fury

Emerging Trends

Mandated upgrades to obtain coverage

Consumers can expect to install or upgrade certain features in their homes to obtain or keep coverage, not just as a credit to their premium. Some insurers indicate they will not provide coverage if a roof is older, a water flow device is not installed, or a tankless water heater is not on the property, for example. New home builders in several parts of the country are including generators as part of a basic package on a new home purchase that helps mitigate insurance risk.

Entrenched Trends

Persistent, destructive weather events

Obtaining the coverage needed to properly protect assets has been challenging, especially in some states, like Florida, Texas, and Louisiana, where insurers have scaled back their business, left catastrophic-prone areas, or declared insolvency. Extreme weather conditions are resulting in large catastrophic losses. NOAA cites 18 weather disaster events that occurred in the United States last year and tallied losses exceeding $1 billion each in total losses. Collectively, these disasters and economic uncertainty, market volatility, decreased competition, and increases in claims activity have forced insurers to re-evaluate pricing.

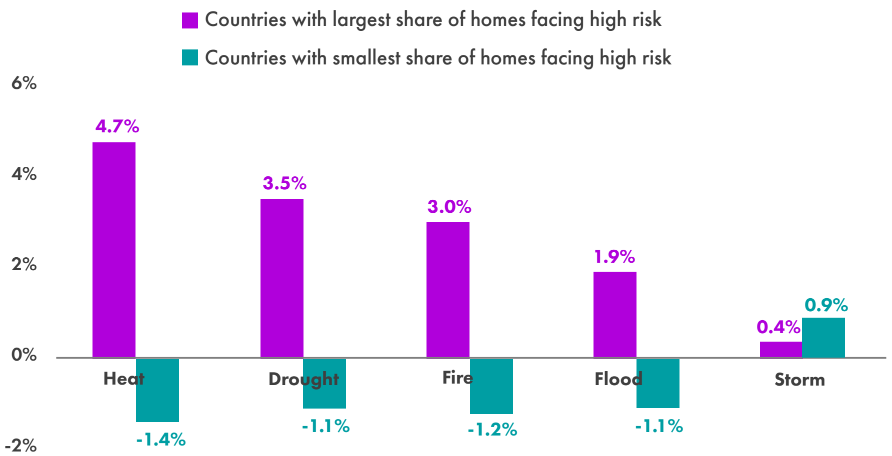
Carriers typically review past events when making risk calculations, which is why they are now struggling to keep up with the impact of unpredictable, extreme weather events. These events have been on the rise for the last 20 years. According to S&P Global Market Intelligence, in late 2018, after Hurricanes Irma and Harvey hit in 2017 and industry combined loss ratios rose above 100%, the insurance market began to turn.

Insurers continue to adapt their underwriting strategies and develop climate modeling to keep up with the weather events, which negatively impacts their bottom line. In the current hard market, carriers are tasked with managing their financial stability while ensuring the availability and affordability of coverage for their insureds.

Migration patterns impacting losses

Additionally, within the last three years, data show one out of three Americans was living in a county in the U.S. hit by an extreme weather disaster.[102] Because many people relocate to vulnerable areas to take advantage of lower tax rates or other desirable opportunities, the cost to insurers from catastrophic weather events rises.

America's Climate-Endangered Areas Are Becoming More Populous
Populations change due to net migration in countries with certain climate risks, 2016-2020



Source: Redfin[96]

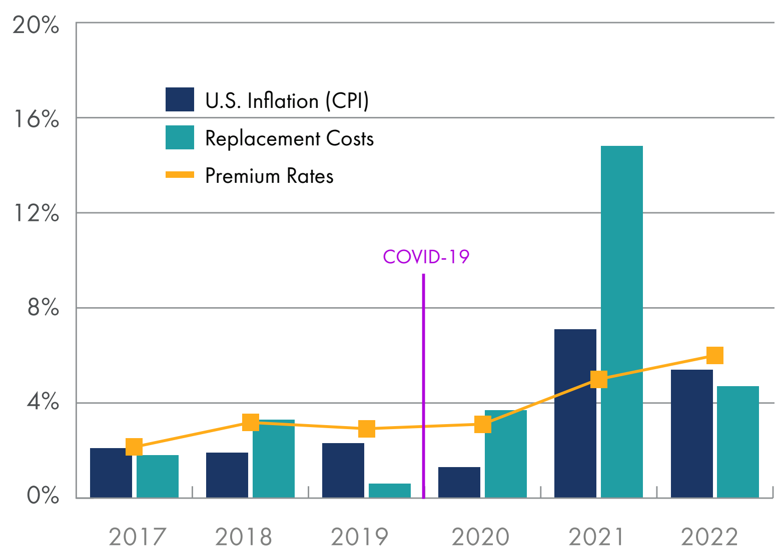
Ballooning replacement costs

After a disaster, it is more expensive to rebuild and repair a home. In fact, property insurer replacement costs are projected to increase between 4.5% and 6.5% in 2023. Those individuals who are repairing or rebuilding their homes after a disaster are impacted by higher replacement costs—largely due to higher labor and building materials costs, as well as supply chain issues, but we are seeing that issue lessen now.

With more people purchasing or building high-end custom homes and investing in home collections like art, antiques, stamps, sports memorabilia, or jewelry, policyholders are taking more precautions on appraisals of their valuables, especially in light of growing replacement costs.

Traditionally, insurers utilize asset valuation to properly price coverage. With higher replacement and repair costs, accurately valuing assets becomes a necessity for consumers but a challenge for insurers, resulting in significant losses year over year.

Homeowners



Source: Insurance Information Institute[104]

Your Beacon of Opportunity

Home Insurance

As you come to terms with the reality that more frequent and powerful weather events are becoming the new normal, it is important to adapt to the circumstances at hand to the best of your ability.

Work with your BRP advisor to identify improvements you can make to your home that will present your risk as more attractive to insurers, such as updating your roof and adding water leak detection devices. Making upgrades can not only help make your home more resilient to varying natural disasters but also help secure more favorable rates and coverage options.

Take the time to create disaster preparedness plans and emergency kits for natural disasters that might impact the area in which you live. Consider taking photos and documenting your belongings and property in a digital archive. In the event of a claim, you will want to know what to expect and have all necessary documentation available for carriers and the claim process.

Cyber Coverage

Shoring up your defenses from relentless malicious actors

Entrenched Trends

A common misconception is that companies are the only victims of hackers but malicious actors do not discriminate when it comes to choosing their victims. With economic times still challenging, criminals continue to increase the frequency of their attempts and develop new ways to steal. An average of 18.5 million online records are compromised each day.[105]

An average of 18.5 million online records are compromised each day.[105]

Your Beacon of Opportunity

Cyber

Fortunately, there are tools at your disposal that can help you keep your digital life and assets secure. Use strong passwords across your online accounts, and use a password manager that will safely store them in a digital vault. We also recommend the use of multi-factor or biometric authentication. You should evaluate your and your family's online profiles, as the information you willingly share might be an invitation for criminals to target you. It is also important for you and your family members to be aware of common attack schemes so you do not fall prey. Because the digital landscape and cyber risks change at such a rapid pace, lean on your BRP advisor for guidance and access to resources that bolster your approach to cybersecurity at home. Our experts can help you create a cyber incident response plan, determine where you are most vulnerable, and find insurance coverage.

Auto Insurance

Growing rates driven by economic inflation and risky driving behaviors

2023 price prediction: +7%[106]

Emerging Trends

Innovative and income-producing assets

While the sharing economy is not a new concept, consumers are starting to rent out off-the-beaten-path assets to extract more value and income during the inflationary market—such as e-bikes and vehicles. For example, in 2020, almost 800,000 e-bikes were sold in the United States, and insurance for them is not mandatory. Within a typical homeowner, renters, or automobile policy, e-bikes are often excluded under "self-propelled motor or amphibious vehicle." As of May 2023, specialty market stakeholders are beginning to offer separate lines of coverage for e-bikes.

Termination of broker partnerships

Some areas within the U.S. are more vulnerable than others. As a result, some carriers are not partnering with brokers to write new business for auto insurance, as is the case in California, for example. Carriers are either terminating their broker partnerships or rationing how many policies a broker can write because the carriers cannot get enough premiums to cover the costs they are managing in their disaster-prone, saturated markets.

Entrenched Trends

COVID-19's continued fallout

The post-pandemic world continues to affect drivers and insurers. Because recent losses and the pandemic added a layer of unpredictability to the auto insurance market, carriers have become extremely calculated in their risk selection and pricing. People who received mileage credits or refunds for not driving during 2020 are seeing higher premiums today. The average annual rate for a full-coverage auto policy in 2022 was almost $1,800; in 2023, that same policy costs $2,014, an increase of 14%.[107]

> **The average annual rate for a full-coverage auto policy has increased 14%.**[107]

Due to lingering supply chain issues and delays getting parts for auto repairs, the claims process is taking longer. This is forcing claimants requiring a rental car to have it for a longer period of time - and insurers are paying for those additional days.

Natural disasters

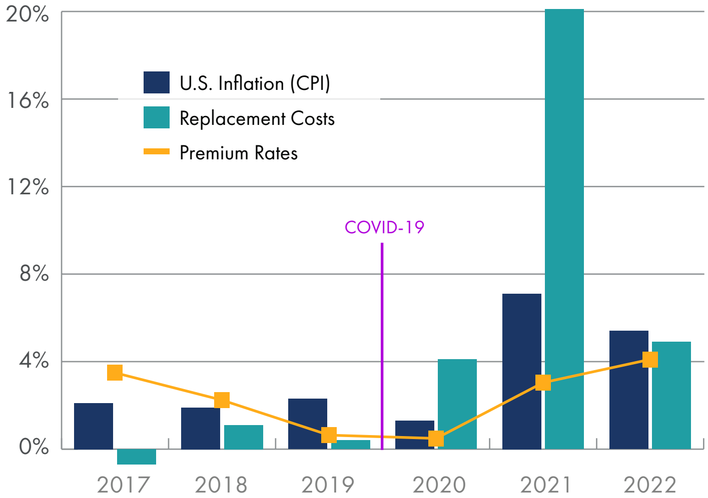
Natural disasters also impact auto insurance rates. Areas plagued by flooding experience vehicle damage, as well as property damage, causing auto premiums to rise. Auto insurance companies raise rates to compensate for the damage and offset claims to fix vehicles that will cost more to repair.

Economic inflation

Inflation is another issue that continues to impact auto insurance rates. Auto repairs, auto parts, and medical care for people involved in auto accidents all cost more, leading to a large uptick in insurance prices. It costs more to own, protect, and repair a vehicle today and with healthcare costs rising, auto insurers will increase premiums to compensate.

The hope is that inflation will ease and hard-to-find auto parts will become less challenging to locate, causing auto insurance rates to slightly fall. Until then, auto loss ratios continue to rise, and the larger insurers are assessing higher premiums to drivers.

Personal Auto



Source: Insurance Information Institute[108]

Riskier driving patterns

Premiums are also up due to newer drivers who drove on empty highways during the pandemic and are getting into more accidents because the volume of traffic has increased and they lack experience. Additionally, more drivers are engaging in risky behavior while operating their cars, and traffic injuries and deaths are up substantially. In fact, the National Highway Traffic Safety Administration estimated the first few months of 2022 saw more deaths from auto accidents than the last two decades.

The good news—total vehicle miles traveled have stabilized over the last six to 12 months, and claim frequencies remain flat. Claim severities are rising but at a slower pace.

Your Beacon of Opportunity

Auto Insurance

The best way to get optimal auto insurance rates from carriers is by maintaining a good driving record. Avoid speeding, maintain a safe distance between you and other cars, and avoid driving late at night if possible. Certain carriers may offer discounts if you sign up for a safe driving or defensive driving program.

If it is an available option, bundling your policies may result in discounts. Taking on a higher deductible will also reduce your premium spend, but be sure that you are comfortable with paying for the higher deductible should a claim arise.

Lastly, when it comes to teenage and younger drivers under your care, regularly reinforce the importance of safe driving. Look for discounts from carriers for good grades, or bundle their coverage with yours if it provides a discount. A BRP Private Client advisor can help identify ways that you can optimize discount opportunities from carriers.

Umbrella Liability

A litigious society's impact on your insurance rates

Entrenched Trends

In previous years, insureds were able to obtain $100 million in umbrella coverage without much difficulty from major carriers. Many insurers were writing high limits. But today, they have tapered down and it is rare to see a high $100 million umbrella policy—all largely due to litigation and social inflation.

Extremely high, or nuclear, personal liability settlements are driving these litigation costs and social inflation to the brink, influencing insurers to increase premiums to offset the sky-high claims costs involved in litigation. They also are limiting the amount of coverage offered or discontinuing coverage lines.[109] Industry stakeholders are aware of how the inflation-inducing pattern perpetuates a volatile market, which may lead to greater regulatory action.

Your Beacon of Opportunity

Umbrella Liability

An umbrella policy can help protect the totality of your assets, including your future earnings, home, retirement funds, and college funds should you be found liable for a claim. Generally speaking the more you have, the greater your risk, and the more protection you will need from an umbrella policy. And as your assets and lifestyle change, you should review your umbrella coverage to avoid overpaying, or being on the wrong side of insurance should a claim arise. Connect with a BRP Private Risk advisor for a lifestyle analysis and coverage recommendations for your unique circumstances.

Excess & Surplus Market

Increased uptake and loss trends impact pricing and capacity

The excess and surplus (E&S) market provides coverage for risks that standard insurance companies are unwilling or unable to insure due to high-risk or unique exposures. E&S insurance is a popular choice when markets are challenged because it offers more flexible underwriting, higher limits, and specialized expertise.

Emerging Trends

Increased uptake

More and more insureds have begun to turn to the Excess and Surplus (E&S) market as a result of experiencing significant challenges obtaining coverage to curb the effects of a hardened market. This is diminishing carriers' capacity, especially within surplus markets.

Entrenched Trends

Because of continuous loss patterns due to sustained weather events and nuclear verdicts, E&S lines are seeing rate increases through 2023. Sustained inflation also continues to impact E&S markets, with this economic trend challenging underwriters' ability to properly price coverage to align with rising loss costs.

Your Beacon of Opportunity

Excess & Surplus Market

It is always best practice to prepare early for your renewal, but this is especially true in a challenging insurance market. And if your home is in a disaster-prone area or you have personal exposures that may subject you to litigation, you will want the time to explore your coverage options. Our experienced BRP advisors can access both admitted markets, those licensed and regulated at the state level, as well as excess and surplus markets you may not otherwise be able to tap into.

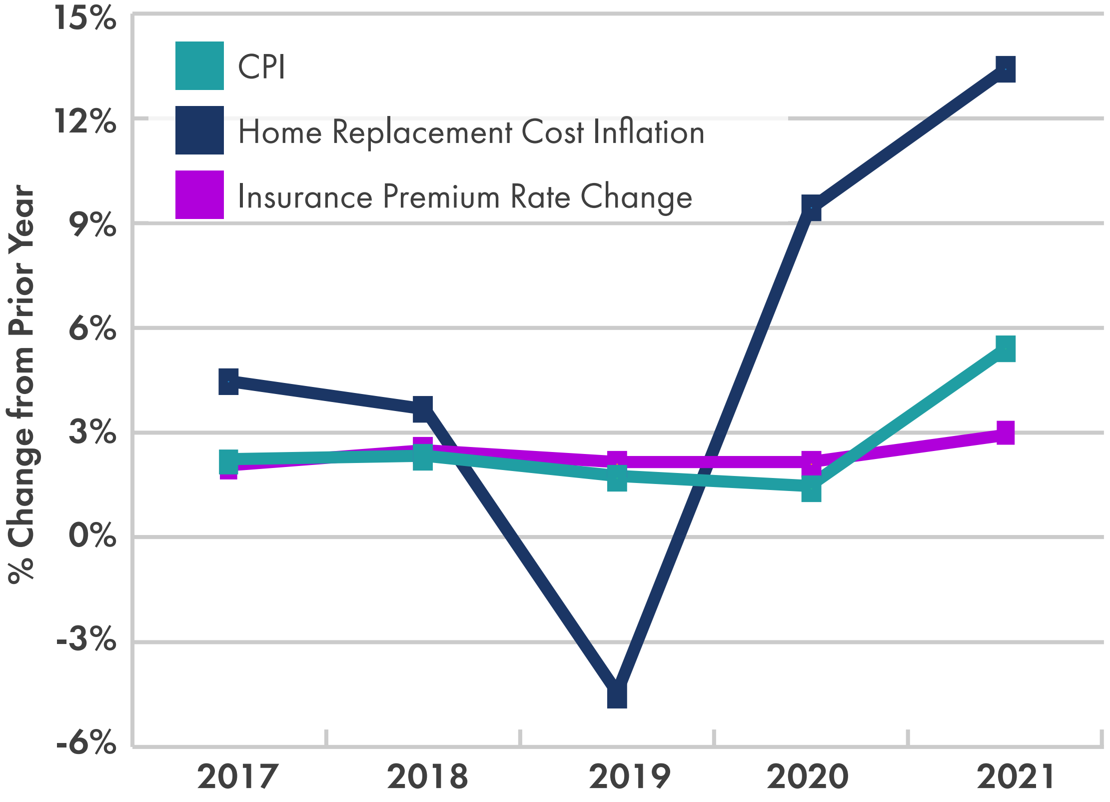
Rates

The U.S. homeowners and auto insurance premiums trailed the inflation rate in 2020 and 2021, laying the groundwork for the premium increases that occurred last year and will continue throughout 2023.[110]

In this inflationary environment, consumers have expected to pay more for insurance coverage but did not anticipate the percentage amount to renew their policies. Each policyholder is facing varying rate increases and terms for distinct reasons—and even in cases where people do not file a claim in the event of liability, they still likely pay more for insurance. Why? Other people within their areas are filing more claims requiring higher payouts. These insureds may pay less than others in these areas, but all still experience a premium increase.

Reinsurance rates that affect insurance companies also influence consumer rates. Insurers need insurance to protect their portfolios, known as reinsurance. When reinsurers raise rates, insurance companies pay more for their insurance, which gets passed to policyholders.

Overall, everyone is wrestling with paying higher insurance rates to protect their homes, autos, valuables, and more.



Source: Insurance Information Institute[111]

Our Recommendations:
Managing the Cost of Risk and Insurance

Though 2023 is another year that is proving to be challenging for many people, taking proactive steps to protect your assets and lifestyle can help mitigate the impact that the unknown may have on your financial future. Here are some steps you can take to help manage the pitfalls of risk and your insurance spend.

1

Think twice before filing a claim

Some smaller claims that do not show negligence may be better off unfiled. Since carriers are scrutinizing small claims, opt for higher deductible limits and rely on your insurance policy for larger coverage needs.

2

Always make on-time payments

If your home, auto, or umbrella policy lapses for non-payment by the renewal or due date of the policy, no guarantee exists that coverage will be reinstated, especially in a hardened market. If your policy lapses, you may be subject to reapply for coverage and face new underwriting guidelines, which could cause premiums to increase. Or you could receive less coverage. Enroll in automatic payments or use your carrier's mobile app to keep up to date.

3

Be proactive with upgrades

Take the time to identify the upgrades needed that will offer more than a credit on your policy premium, such as an automatic water shut-off valve. Tearing out flooring from flooding at your vacation property can be more expensive than purchasing and installing a device. The extra effort to make small upgrades can save hundreds of thousands of dollars in property damage to repair.

4

Avoid contractor fraud scams

Get at least three written estimates for the work and compare bids. Check credentials, including licenses, references, and insurance. Make sure your repair contract includes estimated construction schedules and prices for labor and materials. One in 60 insured homes has a property damage claim[112]—stay diligent to get as much background information as possible.

5

Be willing to work closely with your advisor

Your insurance advisor represents you, not the carrier. They have deep valuation and protection knowledge about how to inspect homes, assess vehicle insurance needs, and identify risk mitigation strategies to help you ensure you are protected. They can explain how the reinsurance and insurance market and rising costs can potentially impact your bottom line.

6

Start your renewal process early

The renewal process is taking ten times longer than in the recent past, and underwriting standards are tighter. The scrutinization is adding more time to the process. Plan to meet with your insurance advisor at least four months before your renewal date.

7

Focus on precise asset valuations

Many property valuations are composed incorrectly or have not been updated in years. Undervaluation of assets can leave insureds unprotected after a natural disaster. For insurers, inaccurate assessments of how much risk they are truly absorbing result in inferior premiums collected. Expect carriers to increase their scrutiny of property valuations.

8

Consider higher deductibles

Familiarize yourself with the pros and cons of taking on higher deductibles—this is here to stay, and insurance carriers may likely begin to promote consumers taking on more risk by raising their limits. Raising deductibles in a hardened market may lessen premiums by 5%; in a softer market, the premiums may decrease up to 10%.

9

Embrace surplus coverage

Many standard carriers are shifting toward writing policy language that is custom and specific to your risk, although it varies state by state. They are working collaboratively to provide coverage to policyholders where in standard markets they are unable to obtain coverage.

10

Review identity protection with family members

Using multi-factor authentication, password protection, and unique logins for all devices helps keep family members safe. In today's world of increasing cyberattacks, conducting training about identity protection with family members, including a review of the family's social media policy, helps maintain strong security protocols.

A Partnership That Delivers Results

It is always important to partner with an experienced advisor to help you put proper risk management strategies and insurance coverages in place, but even more so in these current market conditions.

Working with our team of experts can help you identify your risks, determine where you are most financially susceptible to exposures, and implement strategies to protect your assets and investments. Whether it is property or liability exposures, our team has expertise in wide-ranging areas of risk and can provide recommendations about the best solutions to reduce the likelihood of a financial loss, both in the present and in the future.

Our private risk advisors have seen countless scenarios play out and can provide resources to help you improve how you approach risk and find insurance that meets your needs as your life evolves. We tailor insurance programs for clients' unique needs – looking at all coverage options, communicating with your other key advisors, such as financial and legal, and making recommendations based on your goals and lifestyle. We have also cultivated expansive, meaningful relationships with carriers over decades, which enables us to connect you to invaluable resources that help reduce the likelihood of a loss and your ability to rebound from the unexpected.

Should you have to file a claim, our in-house team of advocates helps expedite and manage the entire claims process so you can maximize recovery. We will then identify what caused the claim to happen and provide recommendations about risk mitigation strategies to reduce the severity of claims in the future.

With underwriting scrutiny at an all-time high and carriers providing less favorable terms for coverage, now is the time to work with a team of experts with a proven track record of success. Contact our team today to learn more about how we can help you.

Industry Specific

2023

State of the Market Mid-Year Report

K&S INSURANCE
NAVIGATING RISK. ENHANCING BUSINESS.
A BALDWIN RISK PARTNER

BRP

Life Sciences

Overview

Due to innovation, demand, and growth in 2023, prospects for life sciences companies remain overwhelmingly positive, with insurance markets generally eager to provide capacity for the industry. However, in order to maintain growth levels, organizations need to keep a pulse on the evolving opportunities and risks that are shaping both the life sciences industry and carrier capacity.

We are seeing a return to normalcy in elective procedures after the COVID-19 induced slump, and as such, an increase in the sale of products needed for these surgeries. We expect this trend to continue and for it to bolster growth in the industry.

Though decentralized clinical trials (DCTs) predate COVID-19, their prevalence grew significantly as a result of the pandemic. And it seems as though this trend will continue for the long term. DCTs are studies where patients participate at sites that are more convenient to them, reducing or eliminating the need for a centralized testing facility. The trials are generally conducted remotely using telemedicine, wearables, and mobile or local healthcare providers versus having patients visit a designated clinical site to obtain care. Remote testing capabilities provide several benefits, including increasing patient access, efficacy, and speed to trial. However, sponsors need to curtail the risks of DCTs by doing their due diligence in setting standards for data collection and protection, investigator oversight, and participant safety.

The convergence of traditional medicine with implantable devices, wearable devices, and AI is also changing the life sciences landscape. This new generation of products requires additional regulatory considerations, with the FDA going so far as to create a tool that can guide companies through the process of evaluating if a product or service is subject to FDA regulations. Life sciences companies involved in these ventures need to understand the unique risks of new technologies, particularly regarding cyber exposures and properly safeguarding individuals' protected health information (PHI).

Psychedelic drug therapy is another emerging development within the life sciences industry, with psychedelic therapy legislation coming into effect in several states. These recent developments could expand the use of psychedelic drugs that are designated as breakthrough therapies. This may require changes to product liability and clinical trial policies that today may contain exclusions for these classes of unapproved drugs.

Gene therapy and editing also continue to make a splash in the life sciences industry as a segment that demonstrates consistent growth. This space, in general, is considered a high-hazard risk because of the vast, unknown implications associated with these procedures.

Another emerging segment in the life sciences industry is agricultural biology. From an insurance perspective, there is not a cohesive solution for emerging segments like agricultural biology specifically related to food. A risk that starts as a lab risk can quickly emerge as an agricultural risk, and life sciences insurers are not sure how to underwrite these risks as compared to more traditional life science companies.

Amid these areas of opportunity are familiar challenges, namely public demands around environmental, social, and governance (ESG), supply chain delays and spoilage issues, inflation and overarching economic uncertainty, and opioid coverage exclusions.

Given that life sciences companies' operations and projects are complex, spanning multi-year timelines, encountering delays and unexpected risks is to be expected. Risk management and insurance need to be a part of every stage of a project's lifecycle to identify and remediate issues before they become costly mistakes.

M&A and IPO Activity

Though there has not been a lot of IPO activity in the life sciences industry, M&A activity remains strong. With healthy cash reserves, life sciences companies want to put their capital to work by finding new and strategic sources of value. M&A activity in the industry seems to be geared toward opportunities for additional streams of revenue through vaccines, mRNA, and cell and gene therapy.

Key Coverage Lines

In the pursuit of innovation and opportunities, the life sciences industry continues to perform strongly. And the insurance market has taken note, with carriers hoping to capture the momentum driving the sector toward growth. As such, carriers have demonstrated that they are willing and able to evolve with their insureds to be able to attract new business while expanding their existing books of business. New market entrants are increasing capacity and keeping rates stable in spite of inflationary pressures and nuclear verdicts.

Management Liability

Though social inflation and nuclear verdicts continue to be primary concerns for underwriters, rates are showing signs of stabilization in management liability lines (D&O, EPLI, and fiduciary liability) for well-performing accounts. In the D&O market in particular, decreased IPO activity, new capacity, and carrier competition have allowed the market to soften a bit.

Liability

For general liability, most life sciences accounts are seeing flat renewals, or slight decreases. The excess liability space remains more volatile, with rate increases averaging 5% to 10%. For product liability, rate increases are trending in the mid-single digits. New market entrants have helped curtail the ever-present influence of social inflation and nuclear verdicts that we have seen in other lines and industries. However, insureds need to be aware of new exclusionary language that we have seen emerge for certain drug product classes. Professional liability rates are trending similarly to product liability rates.

Workers' Compensation

In 2023, workers' compensation rates remain extremely attractive, with most renewals being flat or seeing slight decreases.

Cyber

After a tumultuous period, the cyber liability market is showing signs of stabilizing. Carriers worked aggressively to correct premium pricing, and insureds implemented cybersecurity measures that are paying dividends in the form of fewer and less severe loss events. However, to get the best rates and terms for coverage, insureds that continue to invest in digital platforms for DCTs need to be able to demonstrate to underwriters the steps they are taking to mitigate a complex overlay of cyber risks.

Stock Throughput

Effective supply chain management and spoilage issues have always been preeminent risks for the life sciences industry. The COVID-19 pandemic offset serious supply chain bottlenecks that were further exacerbated by the Ukraine conflict, factors that upended the stock throughput marketplace. Fortunately, this line is showing signs of stabilization. Accounts with favorable loss history may see increases between 2% and 8%, while those with poor history are seeing rates closer to 15% and 25%. Due to the Ukraine conflict, be on the lookout for exclusionary language.

Intellectual Property

Intellectual property (IP) is the lifeblood of life sciences companies, and as such, more organizations are turning to insurance to preserve and protect their IP from financial loss. The IP insurance market is maturing to be able to meet the need and demand for the financial protection it can provide.

Property

The impacts of extreme weather events, inflation, supply chain issues, and a challenging reinsurance market continue to challenge the commercial property insurance market. Expect heightened underwriting scrutiny over the proper valuation of facilities and equipment. Rates will vary greatly by asset class, geographic location, and loss history.

Your Beacon of Opportunity

Life Sciences

Though there is plenty of insurance capacity for the life sciences industry and the sector is less challenged than others, organizations should strive to implement a comprehensive risk management strategy, regardless of insurance market conditions. Doing so better protects your organization from costly losses that could have a devastating impact on your balance sheet.

We recommend being as prepared as possible for your renewal by getting started on the process with your insurance advisor at least four months in advance. You will need time to gather data, implement loss controls, and package relevant information in a clear manner that is easy for underwriters to understand, especially regarding supply chain, cyber security, and product liability risks.

The life sciences industry is complex, and as such, it is supported by a multifaceted overlay of insurance products. As you navigate the nuances of the insurance marketplace for your company's specific needs, you will want to work with an insurance broker with proven expertise in both the life sciences and insurance industries – a generalist likely will not be well equipped to render optimal results.

Our team of experts has decades of experience crafting risk management strategies and placing insurance coverage for life sciences companies, at all stages of growth – from seed phase to FDA approval, and beyond. Should your operations span borders, our specialists have access to carriers with global reach. Our depth of expertise allows us to effectively communicate with wide-ranging stakeholders, such as clinicians, CFOs, and IT leaders, to help break down operational silos. We want to help you build a culture of safety that protects your bottom line, allowing you to focus on innovation and breakthroughs with global impact.

Manufacturing

Overview

In 2022, the manufacturing industry demonstrated strength and reaped the rewards of capitalizing on the momentum it gained from increased production demands stemming from COVID-19 in spite of facing continued challenges with talent retention and supply chain instability. However, prospects in 2023 look a little more mixed for manufacturing companies. Though there are areas of opportunity for the industry, significant headwinds may temper hopes of continued prosperity in 2023.

Labor shortages and a skills gap continue to pose a threat to the industry, with job openings in the United States reaching a high of 905,000 in 2022.[113] Though this number decreased to 693,000 a year later, it is still quite significant. Manufacturing companies must find ways to curtail labor shortages by investing in talent retention and acquisition. And labor challenges also perpetuate supply chain issues. Though supply chains today show some signs of stabilizing, many manufacturing businesses still find it difficult to secure the raw materials, equipment, and supplies that they need to fulfill orders.

The manufacturing industry has managed to triage the impact of labor shortages and supply chain instability, but a tough economic outlook threatens revenues and profit margins. For one, inflation drives up operational costs and the price of raw materials. It also dampens consumer demand and spending, which results in decreased sales.

Some manufacturing companies have begun to see slowdowns in production because of diminished consumer activity. In April 2023, the Institute for Supply Management[114] shared that all subcomponents of its manufacturing PMI were below the 50 threshold for the first time since 2009, a finding that fans the flames of concern over a looming recession.

In spite of headwinds, there are areas of opportunity that can help the manufacturing industry weather the wave of economic uncertainty. As an example, the CHIPS and Science Act provides considerable incentives for domestic manufacturers of semiconductors and electronic chips.

Under this legislation, the U.S. Department of Commerce will oversee $50 billion in investments[115] to expand domestic manufacturing of semiconductors, in addition to $24 billion worth of tax credits for chip production.

The Inflation Reduction Act (IRA) of 2022 also contains incentives for manufacturers, with about $47.7 billion[116] earmarked for manufacturing operations that support the legislation's goal of reducing the United States' carbon emissions. The IRA also provides tax investments for public and private entities that invest in manufacturing companies that support clean energy and decarbonization goals, though they have to meet specific criteria.

Manufacturers also have an opportunity to leverage technological advancements to drive continued modernization and adaptability. Digital investments can empower manufacturing companies to pivot faster, improve operational efficiency, and contain costs. Automation and digital tools can help address challenges brought on by labor shortages and supply chains. However, when adopting any new technology, manufacturing companies need to be aware of the risks, as malicious actors are always seeking an opportunity to strike.

The manufacturing industry has made significant strides the past years to be able to face the challenges of a world that has been upended by global events. And once again, the industry is feeling the pressure of volatile events. We remain optimistic that organizations will be able to overcome a challenging economic environment by continuing to evolve, just as they have proven to do so when faced with the unknown.

As the manufacturing industry meets the tall order of adapting to wide ranging global disruptors, working with an experienced broker can help organizations address the challenges they face and obtain the appropriate insurance solutions for their business operations.

Benefits Considerations

Addressing worker turnover, labor shortages, and a growing skills gap in the manufacturing industry is a complex issue with no simple solution. Fortunately, there are steps companies can take to attract talent and reduce attrition. Manufacturers should consider pivoting recruitment efforts to attract a diverse, multifaceted workforce. Companies also have an opportunity to partner with high schools, local colleges, and trade schools to attract new workers.

When it comes to benefits, workers today want more, and in a tight labor market, employers have to deliver. Company culture, traditional benefits and fringe benefits, strong wages, and opportunities for career growth can help differentiate your business from the competition. Though it might be challenging to offer competitive wages and attractive benefits in light of growing operational costs in a difficult economic environment, think about the viability of business operations without the right workforce to support them, in addition to the true cost of employee turnover. To manage your benefits spend, explore plan design options that can result in cost savings.

Key Coverage Lines

In the pursuit of innovation and opportunities, the manufacturing industry continues to perform strongly. And the insurance market has taken note, with carriers hoping to capture the momentum driving the sector toward growth. As such, carriers have demonstrated that they are willing and able to evolve with their insureds to be able to attract new business while expanding their existing books of business. New market entrants are increasing capacity and keeping rates stable in spite of inflationary pressures and nuclear verdicts.

Management Liability

After years of heightened underwriting scrutiny and steep rate increases, rates are showing signs of stabilizing in management liability lines (D&O, EPLI, and fiduciary liability) for well-performing accounts. For D&O in particular, new capacity and carrier competition has allowed the market to soften a bit. Social inflation and nuclear verdicts continue to be top concerns for underwriters.

Liability

For general liability, most accounts are averaging rate increases from 5% to 10%. The excess liability space remains more volatile, with rate increases averaging 5% to 15%. Auto liability is also mixed, though rate increases are averaging 5% to 10%. Results for each line will vary by account, as loss history renders greater increases.

Workers' Compensation

Workers' compensation remains competitive in 2023, with most renewals being flat or even seeing slight decreases.

Cyber

Cyber liability is still a challenging line for manufacturing companies, though less so than in prior years. This is because carriers have worked aggressively to correct premium pricing. What were once 50% rate increases are averaging 10% to 15% in 2023.

Stock Throughput

A recently tumultuous line due to geopolitical upheaval and natural disasters, the stock throughput market is now also stabilizing. Again, results will vary greatly by business class and loss history. Accounts with favorable loss history may see increases between 2% and 8%, while those with poor history are seeing rates closer to 15% and 25%. Be on the look out for exclusionary language around war due to the Ukraine conflict.

Property

The commercial property insurance market remains extremely challenged because of the impact of continuous weather catastrophes, inflation, supply chain issues, and a challenging reinsurance market - making it challenging for carriers to properly price coverage. Expect underwriters to zero in on asset valuation during the underwriting process and demand up-to-date numbers. Rates will vary by asset class, geographic location, and loss history. We are seeing rate increases average between 10% and 20%.

Your Beacon of Opportunity

Manufacturing

If there is anything to take away here, it is that insurance results will vary greatly by the performance history of an account. To get the best results from carriers, we recommend being as prepared as possible for your renewal, especially if your company has experienced a loss. You want to have the time to gather data, implement loss controls, and package relevant information in a clear manner that is easy for underwriters to understand. Getting started on the renewal process with your insurance advisor at least four months in advance gives you time to go to market if you cannot get reasonable rates and terms.

We understand that the growing cost of insurance is likely a concern. When facing economic uncertainty and profit pressures, you want to ensure that you are doing all you can to contain the cost of your insurance spend. Our team of experts has proven experience navigating previous hardened insurance market cycles, and can help identify areas where you can transform your approach to risk management so you can obtain optimal results for your specific exposures. We are here to collaborate with you as you continue to transform to meet the demands of an unpredictable world.

Hospitality, Golf, and Country Clubs

Overview

Due to labor shortages, supply chain issues, and changing consumer demands, the hospitality industry is making a significant transformation in a highly disrupted market.

Private golf and country clubs are experiencing a new kind of buyer. As new wealth emerges and societal dynamics evolve, so do the expectations of these clients. In addition to the traditional offerings, prospective members now want health and wellness, pickleball, and café culture. Golf and country clubs are also shifting to appeal to various generations within the family unit by meeting the needs of the members' children and grandchildren.

This customer evolution means clubs must reinvent themselves, acquire additional capital, and adapt to the current labor climate. The labor crisis has significantly impacted this industry. Not only is the skyrocketing cost of labor a primary variable, but the escalating occurrence of natural disasters has greatly increased the need for labor in the construction industry, highly disrupting the hospitality industry's pool of workers. These obstacles contribute to the need for reinvention and a strong pulse on today's consumer demands and desires.

For restaurants, there is a convergence of influences affecting the industry. Just as the entirety of the hospitality industry's labor market is struggling, so too are all areas of restaurant operations, including fast food, quick service, family, and fine dining. Individuals already employed in restaurants are forced to perform more job responsibilities than ever before, leading to fatigue, burnout, and increased risk for on-the-job injury.

In the era of post-government financial assistance for restaurants, establishments are looking for ways to cut costs. Many restaurants are pivoting to lower-cost ingredients by changing from local food suppliers to Sysco or other mass food service providers. Increasing menu prices are a result of rising food and labor costs, as well. Fine dining establishments are not seeing a profound effect on their customer base with these price increases, but patrons of fast food, quick service, and family restaurants are finding it challenging to pass through these price increases, particularly in such a volatile economic climate.

Benefits Considerations

Another variable affecting the hospitality industry is crafting the right benefits solutions to appeal to a varied workforce. In areas such as fine dining and clubs, employees expect benefits and ancillary perks, a byproduct of the employees these establishments attract. Younger employees are interested in buying medical insurance; however, with cost as an inhibitor, employers are having to get creative with non-traditional insurance. To thrive considering evolving demands, employers need to be flexible. Consider offering benefits for part-time or seasonal employees that are lower cost and match the needs of the employee populace. Telemedicine, dental, and vision are more affordable benefits and more geared toward less seasoned workers.

Key Coverage Lines

With a hardened economic climate, an influx of natural disasters, and evolving regulatory requirements, rates across coverage lines in the hospitality space are increasing. As of mid-year 2023, rate increases are trending as follows:

Directors & Officers (D&O)

For a company with no claims, D&O insurance premiums have increased by 7-10%. Regardless of a clean claim history, the surge of companies going public, as well as costly payouts becoming more commonplace in lawsuits, makes D&O more expensive than in previous years.

Liability

In 2023, companies without any claims can expect an increase of 6-7% primarily due to slips and falls and alcohol-related incidents. Across the country, auto liability policies are increasing by an average of 15%. This is because the market has shrunk and is now restricted to only certain vehicles for commercial purposes. As the marketplace becomes more restrictive and underwriting scrutiny increases, both umbrella and excess liability premiums have increased by 15-20%.

Workers' Compensation

Although rates vary nationwide, workers' compensation is currently the one bastion of relief for commercial insurance with some of the lowest rates in years. In California, premiums are at their lowest since the 1970s with an average around $3.50 for $100 of payroll.

Cyber

Since the end of 2022, cyber premiums have increased by an average of 15%. Retention rates are also increasing dramatically in tandem with premiums. These increases are primarily due to the escalating frequency and severity of cyber incidents as more companies become dependent on technology for daily operations.

Property

There are many reasons property insurance rates are increasing in the hospitality industry. The main reasons are aging properties, natural disasters, and supply chain issues, which are all contributing to the spike in the frequency and severity of property claims. These and other factors contribute to rates seeing a rise in the national average by roughly 12%.

Your Beacon of Opportunity

Hospitality, Golf, and Country Clubs

Although rates are increasing across all coverage lines in the hospitality marketplace, efficacious transformation during harsh market conditions is absolutely within reach. Businesses should focus on leveraging technology for myriad benefits. Incorporating technology into daily functions can cut down on labor costs, reduce the likelihood of injuries, and increase efficiency and communication between the back and front of house. Examples of this are kiosk ordering tablets, robust POS systems, like Toast, Aloha, or Clover, and AI reservation and ordering systems.

Prioritizing culture is crucial. Businesses with vibrant and healthy cultures have fewer workers' compensation claims and spend less on healthcare. Staying in tune with the cultural temperature allows you to build yours from the ground up, creating an environment where employees look forward to going to work. Nurturing genuine relationships between employees, managers, and owners solidifies lines of communication for expressing issues and concerns. With human interaction at the center of hospitality's success, implementing strong HR practices is also a critical component of a healthy and thriving culture where employees of all ages and backgrounds can feel safe and valued.

To transform your business in a pivoting landscape, partnering with a team of advisors who can adapt to an evolving insurance industry is paramount. Our team will help you overcome your challenges by thinking outside the box — allowing you to disrupt the status quo of the hospitality industry and see your business thrive regardless of the economic climate.

Healthcare/Physician Groups

Overview

With the rise of telemedicine and increased demand for skilled medical professionals, the healthcare industry is in an eager state of transformation.

Unlike many other industries, supply chain issues have only had a mild to moderate effect on healthcare and physician groups. Pharmacies and select surgical specialties are two areas of healthcare most fatigued by shipping delays and lack of inventory.

Labor shortages have become a nationwide issue in the past few years, but the healthcare sector has been experiencing them long before the pandemic. Now more than ever, healthcare organizations are struggling to find labor, particularly qualified mid-level providers, such as physician assistants and nurse practitioners. This deficit creates an increased risk for medical malpractice suits as a direct result of hiring unqualified providers to gain personnel.

As inflation rises, physician reimbursement declines. Both physician groups and individual practitioners are seeing a reduction in income as the cost of everything increases. Physician groups, hospitals, and senior care organizations of all sizes are experiencing massive shock waves from the continually declining reimbursement.

Benefits Considerations

Healthcare and physician groups face significant challenges for attracting and retaining top talent, such as low wages paired with long hours, poor workplace culture, and burnout. To overcome these challenges, employers must benchmark their benefits to see how they stack up against their peers.

Many healthcare professionals are struggling with mental and physical exhaustion. Employers can support them with a robust Employee Assistance Program (EAP) and wellness programs that encourage participation through incentives and ancillary rewards. Consider surveying your employees to learn what benefits are most important to them and prioritize enhancing those first.

To combat rising premiums, many employers are opting for self-funding and alternative health plan designs. Level-funded plans offer employers the potential savings of self-funded plans at a reduced risk and provide the predictability of fully insured plans at potentially lower costs.

Key Coverage Lines

With a hardened economic climate, an influx of natural disasters, and evolving regulatory requirements, rates across coverage lines in the hospitality space are increasing. As of mid-year 2023, rate increases are trending as follows:

Medical Professional Liability (Medical Malpractice)

Some states are seeing rate increases, but not to the extremes seen several years ago. Medical professional liability premiums have mostly stabilized from previous years. In states such as Colorado and Texas, that are known for tort reform in favor of medical groups, rates are increasing by 1-5%. States known to rule in favor of the patient, such as Florida, California, and New York, are seeing an average rate increase of 10%. High-risk specialties, such as OBGYN, neurosurgery, and radiology, are experiencing even more significant increases.

Management Liability

All areas of management liability (directors & officers, fiduciary liability, employment practices liability, and crime) are seeing a market softening. An influx of competition and capacity in the management liability market is leading to stable rates and premium decreases for organizations without claims.

Liability

Due to the overall market of general and excess liability, moderate rate increases are occurring in the healthcare industry, between 1-10%. Because physician groups typically do not generate many general liability claims, this area of the market is seeing an average 5% increase. Any healthcare organizations or physician groups that transport patients in company-owned vehicles are seeing a 5-15% increase in auto liability premiums depending on the state.

Workers' Compensation

Workers' compensation is in a softened market cycle throughout the nation. Rates within the healthcare industry are generally low due to the limited frequency of workplace injuries. Large hospitals and small and mid-size physician groups are seeing a decrease in percentages.

Cyber

Although healthcare is one of the most high-risk industries for cyber vulnerability, premiums are stabilizing at a moderate and solid rate. Even with the increased inherent risk of data breaches and ransomware attacks, recuperation from underwriting losses, increased capacity and competition, as well as more cyber security controls have resulted in rate increases at 1-10%. In comparison, these rate increases were at 50-100% two years prior.

Property

Property insurance premiums are increasing nationwide regardless of industry. The middle of the country is not seeing significant rate increases, but anywhere within 100 miles of a coastline is experiencing increases of at least 20%. Specific to healthcare, a confluence of factors is contributing to this hard property market: rising costs of replacing buildings and equipment, an influx of natural disasters and catastrophes, decrease in capacity, and carriers leaving the property market entirely.

Our Recommendations

1

Renewal Time

For renewal, start the process early, at least 120 days prior, if possible. Evaluate what increases you may face, particularly with property insurance and medical professional liability. Take inventory of all buildings and locations, even if you don't own the buildings, to ensure key building components, such as the roof, wiring, plumbing, and HVAC have been updated within the last 10 years and are in good working condition. It may be time-consuming, but conducting a physical inspection may mean the difference between maintaining your previous coverage structure and significant premium increases.

2

Technology

Implementing technology is also beneficial in negotiations, as it can potentially lower risks for medical practices. For example, utilizing radiology software that notifies patients of their imaging and reminds them about their results helps reduce the risk of miscommunication claims. Partnering with an industry-leading telehealth provider can also help reduce medical professional liability claims and cyber risk.

3

Experience

Working with an experienced insurance advisor can help you create and implement comprehensive strategies to manage your risk. Our advisors provide benchmarking and leverage our relationships with top carriers to negotiate competitve premiums by conducting risk assessments and identifying risk management credits or experience credits, if applicable. We can also help you create a marketing strategy that can potentially reduce medical professional liability claims.

4

Claims Analysis

Due to their size, larger healthcare organizations naturally have more medical professional liability claims. To help mitigate these claims, the root cause of the highest areas of risk needs to be identified and addressed. Since this is such a significant premium expense, it is critical to leverage claims analytics to build a clinical risk narrative of your organization that helps your advisors negotiate competitive pricing.

Summary

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In Summary

The insurance marketplace is dynamic and continues to evolve to withstand the vicissitudes of risk. Whether you are a business or an individual, as you navigate changing carrier expectations in tandem with your evolving exposures, you will likely find that the resources and support from an experienced insurance advisor can take a huge burden off your shoulders as you balance competing priorities.

Key Takeaways

With a hardened economic climate, an influx of natural disasters, and evolving regulatory requirements, rates across coverage lines are increasing. As of mid-year 2023, rate increases are trending as follows:

Understand changing market conditions

Some aspects of the insurance marketplace remain challenging, others have begun to improve, and a few lines of coverage are favorable. As the market softens or hardens, this will impact the rates and guidelines for coverage you can expect so you can respond accordingly. Remember that regardless of these cycles, it is always best to build a culture of risk management – whether it is within your home or at your business.

Communication is key

Communication and alignment between relevant stakeholders is pivotal to obtaining the best results from the insurance market. We recommend always keeping open lines of communication between you and your insurance advisor, keeping them up to date with any changes that can impact your coverages so you can avoid the pitfalls of coverage gaps and overlaps. And it is not enough to communicate with your insurance advisor. If you are a business, break down communication silos between board members, the C-suite, legal, IT, HR, and risk management. Sync with one another to build a culture of risk management and safety that carriers will appreciate. If you are an individual, align your trusted legal, financial, and insurance advisors with one another to help you successfully plan for the future.

Adaptability wins in times of uncertainty

In a world characterized by disruption and uncertainty, now is the time to align yourself with an experienced advisor who can help you navigate the ever changing risk and insurance landscape. We recognize that sometimes no level of preparation or course correction is enough to withstand the tides of risk. But having a plan about how to handle scenarios of varying severity can provide a sense of direction when you might otherwise feel lost. From the health and well-being of employees and lifestyles of individuals to businesses needing to protect their operations, people rely on our experts to help protect them and their assets.

As we traverse global events and a shifting insurance marketplace, we remain focused on exploring, developing, and implementing innovative, effective risk management strategies that address current and future challenges for our clients.

Connect with us for a risk review and learn more about how we can work together to help you transform challenges into opportunities.

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