

# Insurance Market Brief

Fall 2021



**M&T**  
Insurance  
Agency, Inc.

The M&T Difference

**We listen. We customize. We care.**

## Special Feature: Construction & Real Estate

### The unprecedented hard market for insurance persists

- Premium increases across almost all lines
- No geographic region is immune from these increases

### What's driving rising premiums in construction and real estate?



#### Prices for materials are skyrocketing

- Lumber, steel, finished goods, etc.
- Supply chain issues

#### Labor shortages

- Higher wages add to hard costs

#### COVID-19 construction delays increase risk

- Long-term weather damage to materials
- Security issues

## Special Feature: Construction & Real Estate

**In this challenging environment, it's important to think about insurance solutions strategically. Involve a broker with deep experience in construction and real estate as early as possible in the process.**

This approach can help you lower the costs and mitigate the risks that are known to limit your choice of carriers and drive higher insurance premiums.

- Engage with your insurance broker during the design/planning phase of any project
- Your broker can align your multiyear construction schedule with your hard and soft costs and your risks to optimize an insurance coverage solution
- It's important to address sourcing of and properly storing materials
- Advance planning can maximize any investment in on-site security
- An experienced broker knows how to package and prepare a detailed proposal to streamline the process of procuring the right coverage
- This strategy can offer you more insurance carriers to choose from, increase your negotiating power, and ultimately lead to lower premiums

Meet our Construction & Real Estate Practice Group or read our latest article, [\*Rental income guarantee programs: Strategic risk management for long-term real estate success\*](#)

## Is there a light at the end of the hard market?

**As the rate of premium increases slows for some types of coverage, M&T Insurance Agency (MTIA) offers data and insights to help you make fully informed decisions about your insurance strategy.**

### General

- Once again, premiums rose across all types of insurance.
- However, the rate of premium increases across property lines has slowed in the past year.
- Rates for management liability coverage continued to accelerate, driven by cyber liability and errors and omissions.

### Property

- Overall, commercial property rates climbed nearly 10%.
- The pace of premium increases has decelerated, dipping more than 30% since the third quarter of 2020
- Natural catastrophes, including wildfires, spurred a high level of insurance losses.

### Umbrella/Excess

- Umbrella coverage saw the largest premium increases among casualty lines, with rate hikes of up to 50%.
- Nuclear legal verdicts, reduced capacity, and lower policy limits continued to make this sector particularly challenging for buyers.

### Auto Liability

- Auto liability premiums increased, with rate hikes averaging nearly 7%.
- However, the pace of price hikes has slowed significantly over the past 15 months. The past three quarters showed premium increases of between 9% and 11% each quarter.
- For many years, this sector has been unprofitable for insurance carriers due to trends such as distracted driving, rising repair costs, and social inflation.

### Cyber

- Cyber liability insurance premiums skyrocketed, with a jump of more than 25%.
- The level of ransomware attacks—many carried out by organized criminal gangs—continued to escalate.
- Experts have predicted that U.S. businesses will face a ransomware attack every 11 seconds in 2021 (Cybercrime Magazine).

## Industry update



### Construction

We have not seen a restriction in underwriting activity although additional time should be allowed in order to complete placements.

We have seen rates begin to **increase in certain geographies.**

We are building in additional months to our project timelines in anticipation of work slow downs due to the virus, supply chain issues and workforce shortages.



### Health care

This industry continues to be a distressed segment due to a rise in losses for both property and casualty. COVID continues to be a contributing factor. More carriers are open to writing property than casualty. There have been more fires notably for not fully sprinklered frame buildings



### Hospitality

Third quarter has not seen much improvement in this class. This sector has become more casualty claims-driven with slip and falls being more frequent than property losses. There has been a true contraction of markets for this industry that was severely underpriced for a long time, and rate increases will continue.



### Real estate

The market has plateaued a bit but remain hard.

The impact has been felt in the property market as well as the excess casualty market with increased pricing, limited capacity, and more restrictive terms and conditions.

We have seen a fair amount of new capacity enter the Excess Casualty market which is creating a competitive marketplace and certain clients are seeing a reduction in rate accordingly.



### Manufacturing

Although the market is still hard, high quality accounts with no losses are coveted, so renewals with low or single-digit increases can be achieved for some accounts. In addition, an increased appetite for new premium can create an opportunity for those accounts that are marketable to insurance companies. Finding ways to implement loss mitigation recommendations or rectify any weaknesses can pay dividends.

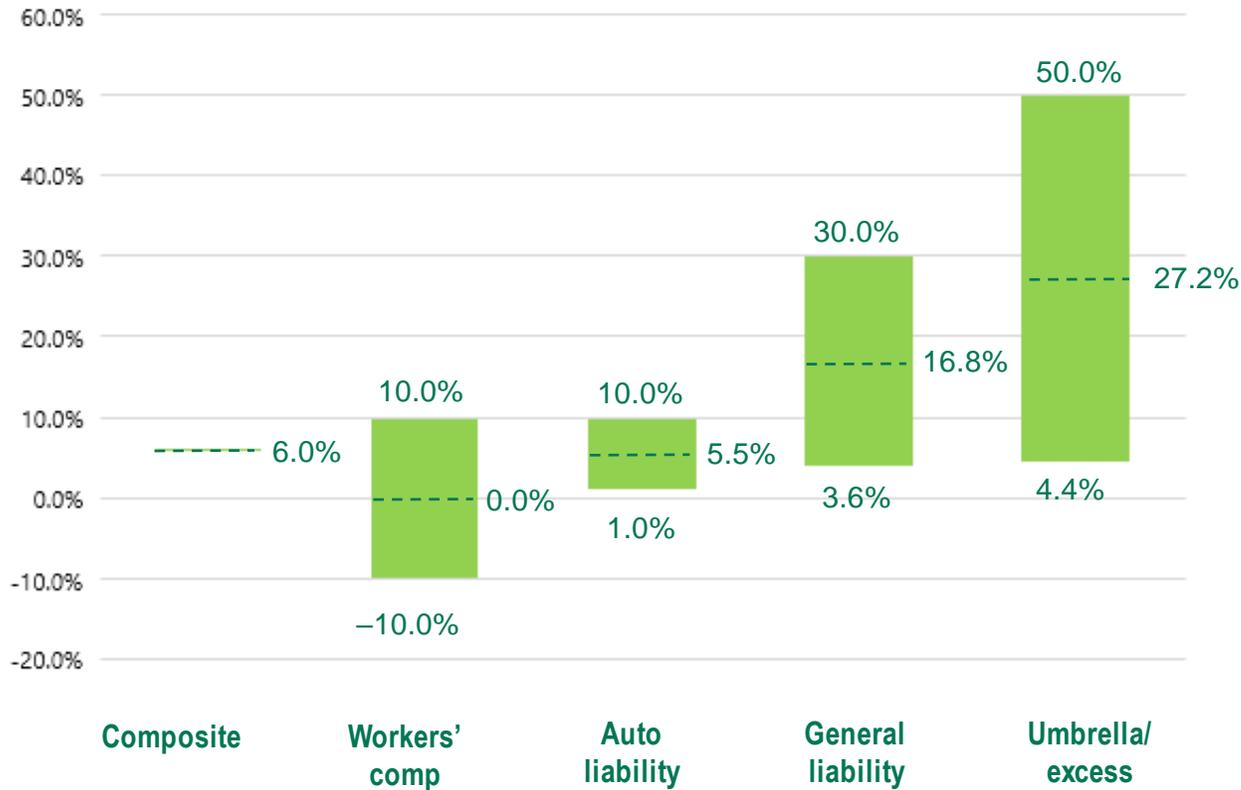


### Transportation / Auto

While claims frequency was down due to decreased auto usage during the pandemic, clients with transportation/auto exposure continue to see rate increases attributable to claims from distracted driving. When surveying a small subset of large transportation clients, they reported that they estimated lost revenue from lack of labor is anywhere from 12%-30%.

# Casualty

Overview of the current insurance market



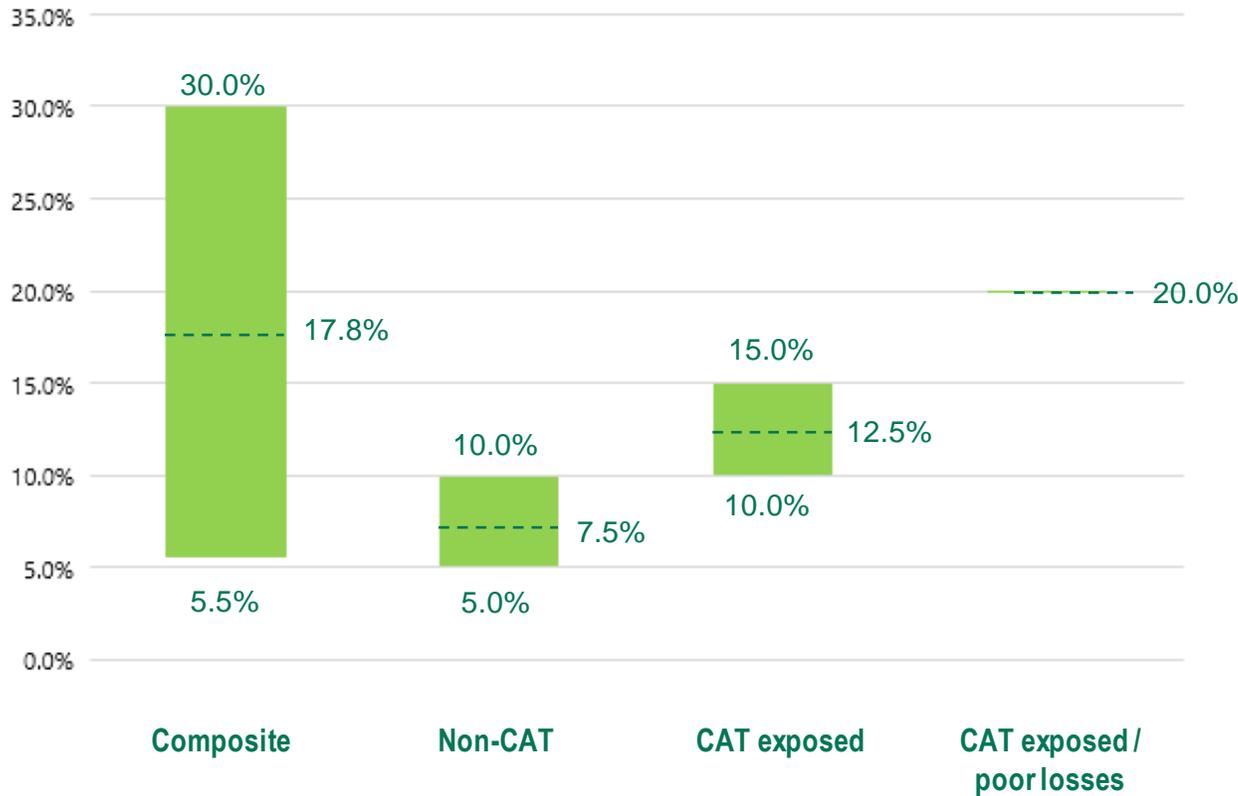
## Casualty

- Rate increases as high as 50% (for umbrella/excess) continued to spur organizations to seek creative solutions to insurance challenges.
- Among the most stressed vertical markets were habitational real estate, public entity, and residential construction. However, conditions in construction as a whole and the hospitality sector should improve as COVID-19 restrictions are lifted.
- As in the summer, workers' compensation was the only line showing any relief. And while some states and rating agencies are filing reduced rates and loss costs, clients should be prepared for rates increases as workforces return to pre-COVID levels.

Data as of 3Q 2021.

# Property

Overview of the current insurance market



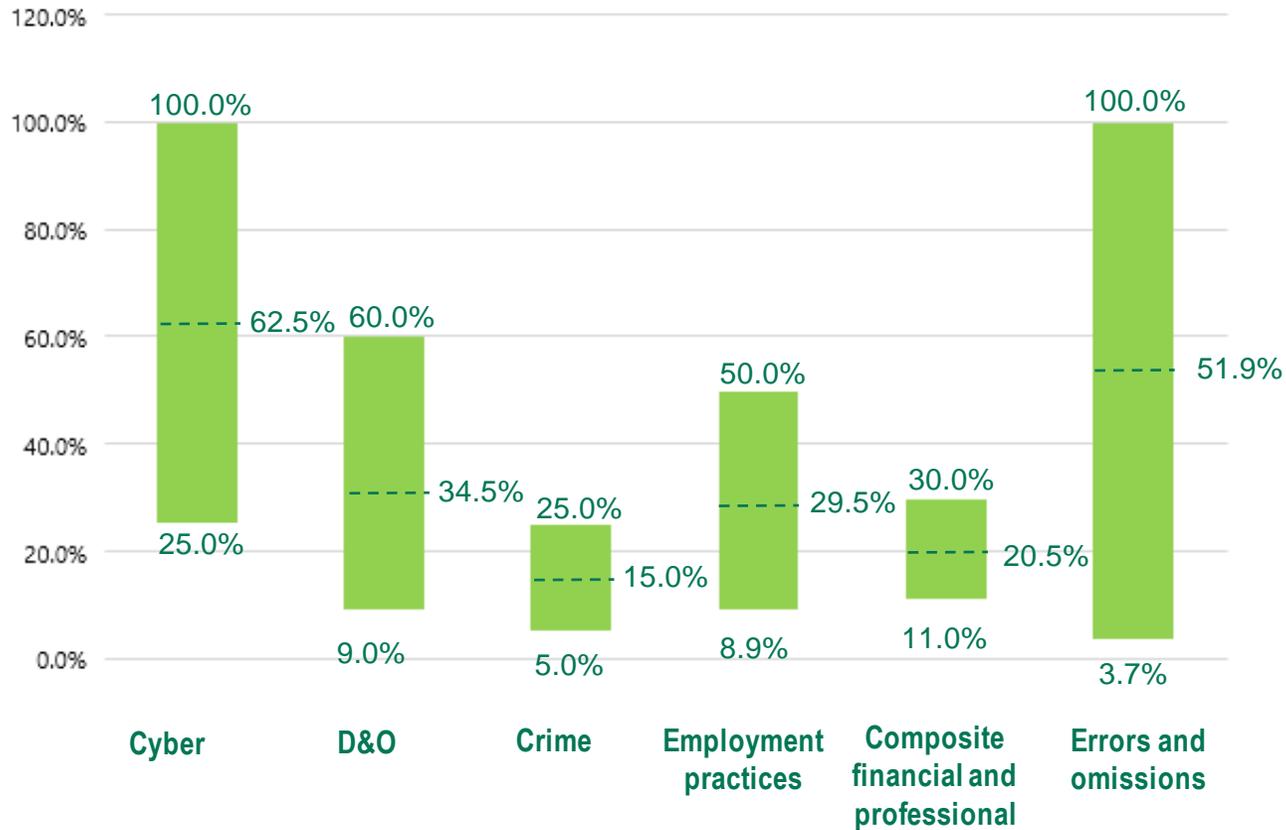
## Property

- Natural catastrophes remained a serious issue for insureds and carriers alike, from wildfires in the West to the devastation of Hurricane Ida in the Southeast and East.
- Even before Ida became the second-most powerful hurricane to hit Louisiana and caused \$750M in losses, natural catastrophe losses reached \$42B globally in the first half of 2021, per Swiss Re.
- Fortunately, overall property capacity proved adequate, except for certain speciality risks along the U.S. Gulf Coast and Florida.

Data as of 3Q 2021.

## Specialty Lines

Overview of the current insurance market



### Specialty lines

- Cyber liability insurance premiums continued to escalate rapidly, while simultaneously underwriting standards tightened as carriers closely examined organizations' cyber risk strategies.
- Errors and omissions (E&O) lines faced upward pressure on rates due to higher losses and the interplay between E&O and cyber risks -- particularly cyber risks not specifically covered or excluded in insurance policies.
- Employment practices and liability rates continued to climb as social inflation became more entrenched, with judges and juries expecting companies to be better corporate citizens.

Data as of 3Q 2021.

**Historical View**

15-month view 2Q 2020 - 2Q 2021

	Auto liability	Workers' comp	Commercial property	General liability	Umbrella	Average P&C	Cyber liability	D&O	Employment practices	E&O	Average ML*
<b>Second quarter 2021</b>	6.8%	0.3%	9.9%	6.0%	17.4%	8.1%	25.5%	13.4%	8.9%	3.7%	12.9%
<b>First quarter 2021</b>	9.0%	1.0%	12.0%	6.2%	19.7%	9.6%	18.0%	15.1%	10.8%	4.3%	12.1%
<b>Fourth quarter 2020</b>	9.1%	0.4%	12.9%	7.3%	21.3%	10.2%	11.1%	14.7%	9.7%	3.3%	9.7%
<b>Third quarter 2020</b>	11.0%	1.5%	14.2%	6.7%	22.9%	11.3%	7.7%	16.1%	10.1%	4.4%	9.6%
<b>Second quarter 2020</b>	9.6%	0.7%	13.3%	6.8%	20.0%	10.0%	6.5%	16.8%	9.4%	3.5%	9.1%

\*Management liability

**15-month view**

- Across all P&C lines, the average increase in premiums was 8.1%, compared to 9.6% in 1Q 2021 and 10.2% in 4Q 2020
- The most significant increases in premiums were observed in Cyber Liability and Umbrella, which saw spikes of 25.5% and 17.4%, respectively
- While overall premiums for Management Liability continued to surge, the rate of increase for P&C has been slowing consistently over the past year

Data as of 3Q 2021.

## Sourcing

Data captured as of October 2021

### Methodology

The ranges and figures listed in this quarterly review represent a composite look at market data from multiple sources. After collecting all available data from across this range of industry professionals and collecting additional input from insurance-line-specific leadership at MTIA, the team created these leveraging data inputs from 2Q + 3Q 2021.

**We will continue to monitor all these developments and their impact on the insurance market.**

**Questions? Call us at 800.716.8314.**

<https://www.ciab.com/download/31507/>

Unless otherwise noted, the information shown here was prepared based on the opinions of M&T Insurance professionals. These are projections only. Your premium is subject to the rates provided by your carrier(s).

This presentation is for educational purposes only and is not intended as an offer or solicitation for the sale of any financial product or service. This presentation is not designed or intended to provide financial, tax, legal, accounting, or other professional advice since such advice always requires consideration of individual circumstances. If professional advice is needed, the services of a professional advisor should be sought. There is no assurance that any strategy will be successful.

**Insurance Products are NOT Deposits; NOT FDIC Insured; NOT insured by nor an obligation of Any Federal Government Agency; NOT Guaranteed or Underwritten by the Bank; Not a Condition to the Provision or Terms of any Banking Service or Activity; and May Go Down in Value.**

**Insurance products are offered by M&T Insurance Agency, Inc., not by M&T Bank. Insurance policies are obligations of the insurers that issue the policies. M&T Insurance Agency, Inc. is a subsidiary of M&T Bank.**

**©2021 M&T Bank Corporation and its subsidiaries. All Rights Reserved.**