AmWINS Group, Inc.

STATE OF THE CASUALTY MARKET

CASUALTY UPDATE

The new year brings insight into what the 2018 market will look like for retailers and insureds.

Entering 2018, the question on many brokers' minds was how much market experience across all of P&C, not just liability lines, would drive pricing and capacity trends in casualty.

"2017 was one of the worst years for catastrophic property claims, so the question was how much that experience would trickle over into the casualty market," says Tom Dillon, National Casualty Practice Leader at AmWINS. "Additionally, the casualty market suffered some large losses with several catastrophic events of its own in 2017."

MARKET DRIVERS

Those events included the Las Vegas Strip shooting that killed 58 concert-goers and left hundreds injured. Attorneys have filed negligence cases on behalf of more than 450 victims against MGM Resorts International (the corporate owner of the Mandalay Bay resort), promoter Live Nation, and the Route 91 Harvest Festival concert venue.

Additionally, devastating California wildfires may have a liability cost, as attorneys look to assign blame. Under California state statues, if utility equipment is found to have been a substantial cause of the wildfire damage – even if the utility has followed established inspection and safety rules – the utility may be liable for property damage and attorneys' fees.

Brokers also have their eye on actions that underwriters have been taking in troubled casualty classes. Habitational, which had been a "loss leader" for companies coming into the casualty market looking to write premium, is no longer as attractive to underwriters. In loss-plagued commercial auto liability (both primary and excess), brokers are scrambling to find homes for accounts as carriers move into and out of markets. In addition, New York construction shows no signs of improvement.

MARKET IMPACT

As a result, many insurers were holding their breath in the fourth quarter of 2017, waiting to see how the large block of 1/1 renewals would play out and how much of an impact events would have on the casualty market. Ultimately, little impact was seen.

"Many renewals came down to the wire, as both insurers and reinsurers held out for larger rate increases that just didn't occur," says Dillon.

The casualty market as a whole did see some slight price increases on 1/1 business, but conditions are nowhere near approaching a hard market. Accounts renewing in 2018 should anticipate rates from flat to a 10 percent increase. The aforementioned troubled classes of habitational, commercial auto, and New York construction will experience greater upward rate

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pressure, as will accounts with poor loss experience and/or poor risk management practices.

In general, insurers with favorable loss experience saw flat to 5 percent treaty premium increases, while those with poor loss experience saw 5 to 10 percent, along with slight reductions in ceding commission for both.

As a result, the expectation for 2018 is that general liability, while pulling back from steep pricing declines of previous years, still offers a suitable environment and opportunity for retail agents, with few exceptions. Automobile liability still challenges buyers with significant rate increases and more carriers are reducing their exposure to this line of business.

In this dynamic market, retailers benefit from working with wholesalers who understand the trends, issues and developments shaping the casualty marketplace. At AmWINS, our industry specialization and market knowledge can help brokers develop solutions and achieve complex insurance placements for their clients.

RENEWAL PRICING TRENDS

Casualty Renewals – Rolling Quarterly