

REPORT

State of the Current Commercial Insurance Market

Virtually no corner of the globe was left untouched by the pandemic, and the economic impact that COVID-19 has had on commercial insurance has been sobering. Between civil unrest, natural catastrophes and other pressures from the market, the commercial insurance industry continues its stint of volatility and unpredictability. Faced with rate increases, decreased capacity and higher underwriting scrutiny, the industry finds itself in a hard market. While it's easy to get caught up in the downturn of the marketplace, strategies can help everyone navigate these turbulent conditions.

According to a report prepared by IVANS Insurance Solutions, Q2 (second quarter) 2021 renewal rate changes for most major commercial lines of business have increased over the year. Q2 renewal rate changes increased for commercial auto, business owners' policies, general liability and umbrella lines, while commercial property and workers' compensation saw decreases when compared with results from Q1 2021. The following reflects the rates at the end of Q2 of 2021:

- General liability lines' Q2 premium renewal rate changes averaged 3.95%, up from 3.74% in Q1 and 3.29% in Q2 2020
- Business owners' policy Q2 renewal rate increase averaged 4.59%, up slightly from 4.53% in Q1, but down from 4.97% in Q2 2020
- Umbrella lines' Q2 premium renewal rate change averaged 4.40%, up from 4.24% in Q1, and 3.25% in Q2 2020
- Workers' compensation premium renewal rate changes were down an average of 1.74%, compared with a down of 1.38% in Q1 and down 2.41% in Q2 2020

The "soft market" days of relaxed underwriting standards that resulted in retained existing business and acquired new business have been replaced by a landscape of decreased capacity, increased pricing and stringent underwriting. Following the tips below can help you survive this hard market cycle:

- Partner with the right insurance broker who can help you evaluate the appropriate coverage levels for your business, identify suitable carriers and coordinate risk control strategies
- Work with your broker to regularly review your commercial insurance policy

- Start applications and underwriting early – underwriters are flooded with submissions given the hard market conditions
- Avoid business disruption; create a plan for business continuity should a disaster occur. Determine what risk exposure exists within your business and regularly review your risk management strategy

While hard market conditions have diminished compared to last year, the hard market is expected to continue for at least several quarters. Choosing experienced partners, preparing quality submissions for renewal business and taking measures to understand risk exposure are keys to navigating these challenging times.

As the end of pandemic draws near, there is hope that a brighter horizon lies ahead for the commercial insurance industry.

Next Steps

As seasoned industry professionals, we understand how to reduce your “net cost of risk”. We will review your prior exposures (payrolls, sales, vehicles and equipment) and compare it with your historical claims to help you determine the best path to lower your net cost of risk and increase your bottom line.

Let's Talk

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