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INSURANCE BROKERAGE

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Global insured losses attributable to natural catastrophes and man-made disasters totaled \$83 billion in 2020 (up about 40% from 2019), making it the fifth-costliest year for the insurance industry since 1970 according to the Swiss Re Institute. This includes the costs of rising costs due to plaintiff-friendly legal decisions and larger jury awards, growing wildfire [1] exposures, and seemingly more frequent and severe catastrophe losses.

What to expect in 2021

Here's a quick overview of what to expect in business property insurance during the first half of 2021...

- Every commercial property insurance buyer will feel the effect of a firming insurance market.
- Reinsurers (the companies that provide financial protection to insurance companies) will be charging more and passing costs on.
- Rate increases will be in the high-single digits to 15% range on clean accounts, higher on accounts with losses.
- New communicable disease and riot exclusions are being introduced.
- More restrictions on business income (business interruption) coverages [2].
- Multiple insurance companies splitting the risk to assemble higher excess property coverage limits where needed.
- Property valuations will be key as underwriters reassess replacement costs particularly related to catastrophe exposure.

Important insurance purchasing considerations

To obtain affordable property insurance, buyers will need to evaluate their risk tolerance for increased deductible or reduced excess coverage limits. Some buyers are already assessing how much excess property insurance coverage they really need.

Buyers will also see layered coverage more often. This is where property insurance is purchased from several different insurance companies, as no one carrier is likely to offer up more than \$25 million in limits on a single property.

It will also be important to disclose vacancy rates to underwriters and ensure/explain that any unused premises are locked, protected, and monitored.

Insurance broker experience, a solid track record and longtime relationships with underwriters really matter in today's market. Seasoned brokers who have experienced the market's historical ups and downs know how to negotiate and structure insurance placements to make them more affordable will be key.

"Maybe the worst is behind us," said Joe Rozzi, EVP of Risk Placement Services. "The last quarter of 2020 showed some positive signs, with new capital coming in (to the insurance marketplace). But if insurers can't make money, they will move their capital (which will put further pressure on insurance rates and coverage availability)."

Source: Risk Placement Services (RPS), 2021 U.S. Property Market Outlook, Copyright 2021

VANTREO is here to help. Have a question about insurance or the strategy for an upcoming renewal? Just [**reply here**](#) ^[3]. We look forward to talking with you.

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