

NEWS BRIEF

Commercial P&C Rates Up 3.8% in Q3, but Q4 Could See Hurricane Effects



WINTERS-OLIVER
INSURANCE AGENCY, INC.

The U.S. property and casualty insurance market saw rates rise an average of 3.8% for commercial lines and 6.75% for personal lines in the third quarter, according to the latest data from MarketScout.

The average increases for Q3 are down from 4.36% for commercial lines and 7.6% for personal lines in the second quarter. The full impacts of Hurricane Helene and the potential impacts of impending Hurricane Milton on the insurance industry have yet to be felt in pricing but may emerge in Q4, noted MarketScout.

"As of this report, Hurricane Milton is on a direct trajectory toward Florida, with potential landfall predicted as a Category 3 or 4 storm," said Richard Kerr, CEO of Novatae, the parent company of MarketScout. "Depending on its strength and where it makes landfall, Milton could become one of the most significant insured property catastrophe events in recent years."

The damage from Hurricane Helene is estimated at over \$10 billion but has been largely a flooding event. Many affected property owners do not have flood coverage.

"One noteworthy outcome of Hurricane Helene may be its effect on professional liability for insurance agents. Agents may now face scrutiny over whether they offered flood insurance to their clients and whether their clients formally declined such coverage," MarketScout suggested.

By line, overall composite rates for property insurance rose by 5.7% in Q3, outpaced by commercial auto at 7.3%.

General liability and umbrella/excess both came in at 4.3%, down slightly from Q2. Business interruption and business owners policies (BOP) increased by an average of 5% and 3.3%, respectively.

Directors and officers (D&O) liability increased by an average of 3.3%, level with Q2, while cyber liability pricing showed a slight uptick from Q2's 6.7% at 7.3%. Workers compensation remained flat, continuing a trend from the first half of the year.

By industry, the transportation sector continued seeing the largest average increases at 7.3%, followed by habitational at 6%, service at 5.7% and contracting at 5%.

In personal lines, rate increases moderated slightly, but MarketScout said rate hikes should be expected for Q4 as the impacts of Helene and Milton materialize.

"We have always observed a microclimate environment in personal insurance pricing," said Kerr, adding that should Hurricane Milton make landfall as a strong Category 3 storm, "the ramifications for Florida's personal lines insurance market will be substantial. While these effects will have some influence on the national composite rate, Florida-specific rates will see considerably sharper increases." He also added that the current rate environment demonstrates the industry's resilience to evolving risks but "raises questions about future stability, particularly in regions prone to extreme weather events."

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