



BEAMS FROM THE LIGHTHOUSE VOL. 11; FEBRUARY 2019
A NEWSLETTER FROM LIGHTHOUSE CONSULTING, LLC
KEEPING YOU OFF THE ROCKS

Marsh's State of the Market

Marsh's State of the Market webinar is a review of the 2018 domestic market and a predictor of 2019. Duncan Ellis made the property presentation.

2018 in review

He described it as a "prescriptive" market with targeted rate increases. Underwriters focused on underwriting discipline and profitability. It was not a hard market, as there was ample capacity for deals, but the cost of that capacity went up. Most buyers experienced moderate rate increases with little change in terms.

Rate increases

The average rate increase in 2018 was +3.3% (excluding accounts with wild swings) with some 54% of accounts getting a rate increase; 37% of the accounts had an increase in the 1%-10% range, while 8% of the accounts had an increase of 20% or more. The number of accounts with rate increases in 2018 is up from 2016 and 2017. However, underwriters still believe rates are too low.

Difficult classes

He listed multi-family housing, hospitality, mining, and energy as the most difficult classes.

Losses

Based on figures from Munich Re, insured cat losses were \$80 billion, which is less than 2017 but still above the inflation adjusted average of \$40 billion. Cat losses have led to increases in the price of cat capacity but have not moved the market overall.

More troublesome are attritional losses such as large individual risk losses, localized hail, and water damage. After years of rate decreases there is little money left for a higher level of attritional losses. Underwriters are responding with rate and deductible increases, and restrictive terms.

Areas of scrutiny in 2019

- Silent Cyber: Companies are excluding the risk entirely in property forms;
- Development of non-physical damage contingent BI;
- Higher hail deductibles;
- Eliminate maximum or capped deductibles on perils with a percentage deductible;
- More scrutiny on flood underwriting, especially on high hazard zones;
- Revised definitions of cat zones.

AMWINS has also issued their [report](#). I'll keep these in view in my audits.