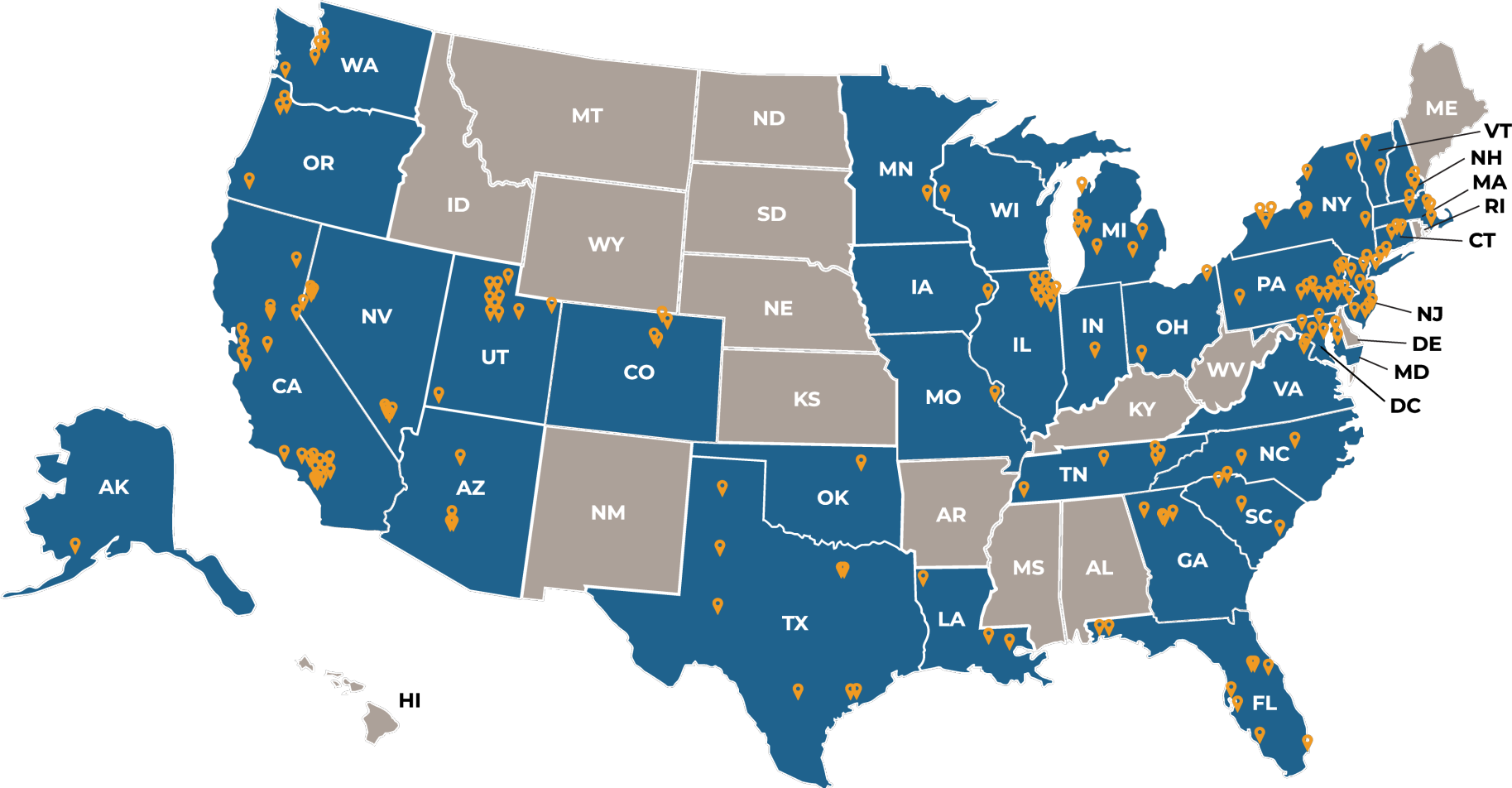




What to Expect in 2023's Insurance Marketplace:
Dive into Alera Group's 2023 Property & Casualty Market Outlook

March 21, 2023

Welcome to Our Regional Alera Partner Firms!



During the Webinar if You
Have Any Questions, Please
Feel Free to:

- Enter questions via the “Chat” feature in the Zoom meeting

Have
Questions?

Reminders

1. Slides and resources will be emailed after the webinar and are available on silbs.com/events
2. Complete our 2-minute post webinar [SURVEY](#)** All completed surveys will be entered to win a \$100 Gas gift card!



Upcoming Events

Events

Lessons Learned, Selecting HR Technology Solutions

Wednesday, March 22 @ 2:00 pm - 3:00 pm ET

Quarterly Compliance Update

Tuesday, March 28 @ 2:00 pm - 3:00 pm ET

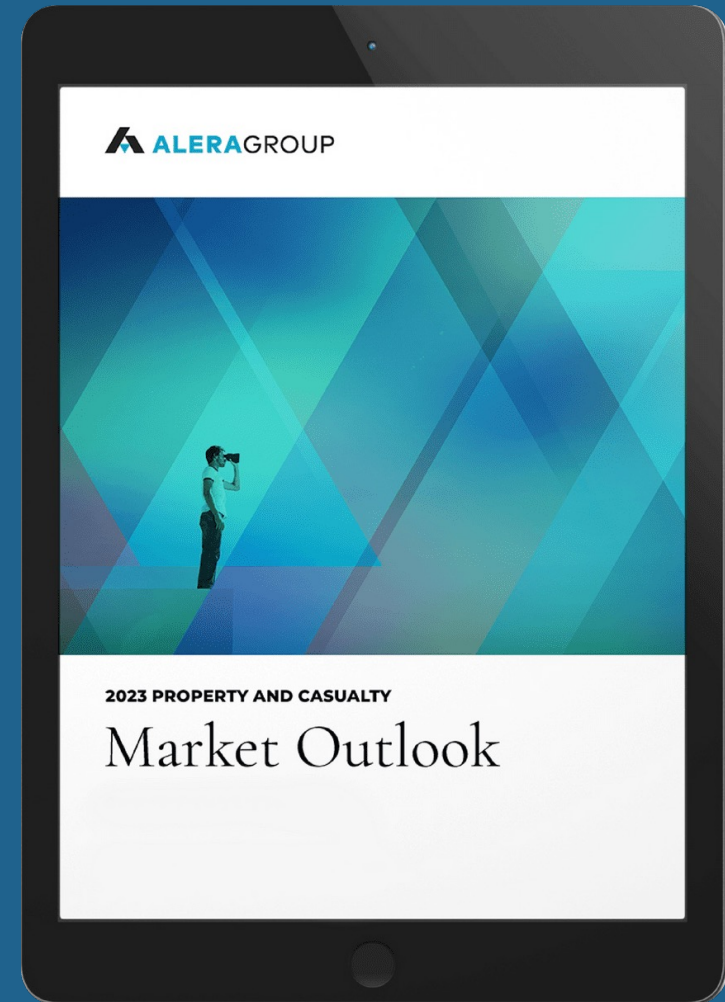
Reining in Runaway Pharmacy Spending

Thursday, April 20 @ 2:00 pm - 3:00 pm ET

The Mindful Workplace: Addressing Employees' Mental Health

Thursday, May 18 @ 2:00 pm - 3:00 pm ET

Welcome



General Liability and Umbrella

Ryan Rispoli

General Liability/Umbrella

- 2022 in review and examining what's ahead in 2023
- Factors and challenges that are driving the market for General Liability and Umbrella
- How to respond to the marketplace



Auto

Gene Nosovitch

Auto

- Auto rate hikes
- Why are we here?
- Rate hike conclusions
- Let's talk renewal strategy
 - Earlier the better to start the process.
 - Work with your Agent/Broker and their internal Risk Management Services to implement a robust Driver Safety program.
 - Aggressively partner with your carrier to manage claims to minimize costs.
 - Contemplate higher deductibles.
 - Explore a Captive.



Cyber

Ginny Biondi

2023 Cyber Liability Market Conditions Outlook

For the past three years, the Cyber market has been very volatile in rate, capacity, and carrier options

Some contributing factors include:

- Significant increase in Cyber claims, which started in 2020
- Losses paid versus premiums paid
- Cyber Insurance is a quickly moving, immature market
- Carriers are developing increasingly stringent controls
 - Increased requirements placed on companies to qualify for coverage
 - Rate increases continue for most organizations, with less volatility

Impact:

- Underwriting processes are taking longer than in the past
- Increased Premiums
- Terms and conditions are continuously changing to clarify coverages as new cyber risks emerge
- Exclusions are being added to state-backed cyber attacks
 - Examples include;
 - Foreign nations backed-hackers
 - Cyber criminal mercenaries
- Insurance Carrier mandates in underwriting
 - Examples include;
 - Multi-Factor Authentication (MFA) is required
 - Established Cyber Security Preparedness
 - Recovery plans in the event of an attack
 - Offsite backups
 - Endpoint Protection Responses for laptops, mobile devices, etc.



Products & Limit Reductions

- Products offered in many cases will cover less by offering smaller sub-limits of coverage
 - Examples;
 - Ransomware
 - Electronic Funds Transfer Fraud
 - Extortion
 - Fines
 - \$250,000 capacity or lower instead of full policy limits as in prior years
- Limit reductions due to capacity limitations
 - Example;
 - Current \$5,000,000 Cyber Liability policies marketed at renewal may only offer \$1,000,000
 - In this instance, agents must seek alternate markets willing to write over the primary \$1,000,000 limit
 - As many as five carriers may be required to achieve the original limit and likely cost-prohibitive to organizations





Impact to Industries

- Higher Hazard Industries are significantly impacted by rate and limit capacity
- Industries impacted more than others:
 - Healthcare
 - Manufacturing - especially those utilizing digital equipment
 - Financial Institutions
 - Municipalities
 - Schools - especially Colleges and Universities

Strategies To Manage Cost and Improve Risk Profile

- Early start to the renewal process
- Identify issues within your organization to mitigate vulnerabilities
- Train staff on best practices for suspicious emails, electronic fund transfer requests and identify open networks
- Inquire if your current Cyber insurer provides a Security Summary Score. The report indicates vulnerabilities for the organization, recommendations to improve security, and the severity of the issue; Critical, Important, or Moderate
- Security Issues:
 - Sensitive Data not encrypted on servers or devices
 - Domain-based Message Authentication, Reporting, and Conformance (DMARC) is a collection of email authentication methods
 - DMARC checks whether a sender is legitimate and prevents domains from sending unauthorized emails
 - Security Settings on emails
 - Implement Strong Password policies with the usage of special characters and force password changes quarterly
 - Domain name vulnerability

Good News!

- Prices are stabilizing
- Before 2023, rates increased dramatically, sometimes as much as 200%
- In 2023, rates are staying flat or, in some cases, increasing up to 50% depending on the industry, the controls in place, and the organization's losses



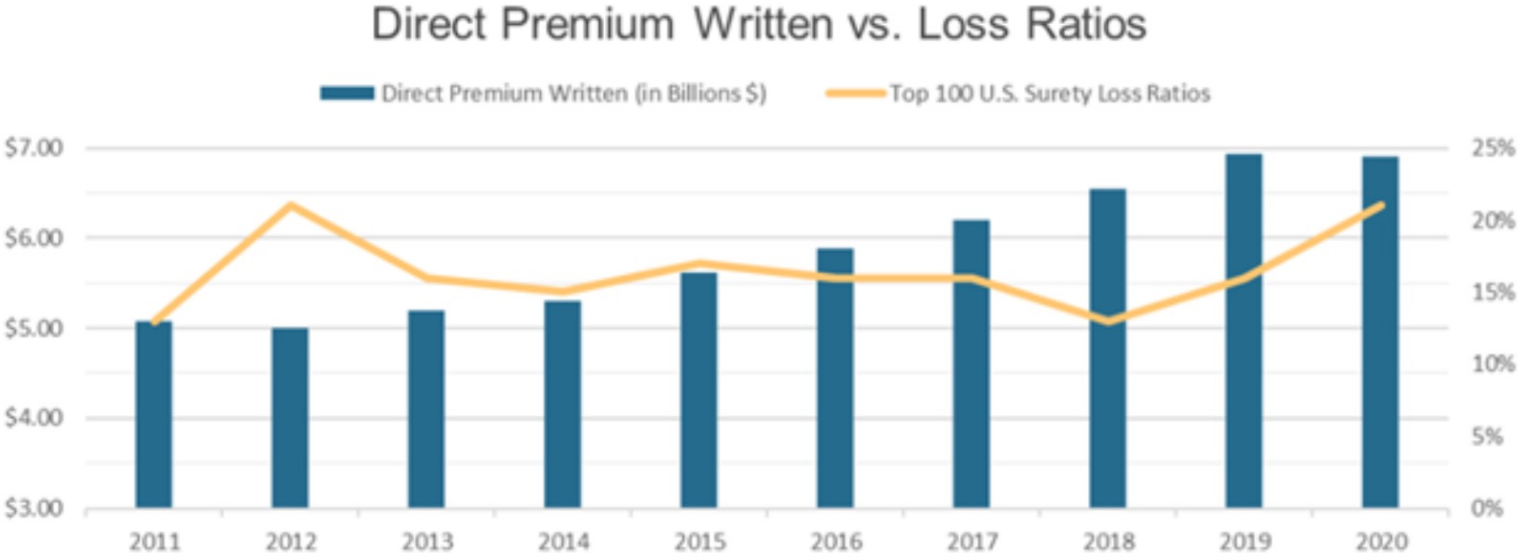
Surety

Daniel P. Dunigan, CPCU, AFSB

Surety Industry Results*

(Source: The Surety and Fidelity Association of America)

Industry Results



*The last year the industry sustained a Direct Loss Ratio greater than 25% was 2005 (39.8%)

**Average B/E Direct Loss Ratio for the Surety Industry is approximately 35%



Industry Results

- With over a decade plus of solid results, long time markets and newer entrants continue to seek new premium growth. The top 15 or so markets remain stable, capable players in the marketplace. As always, surety capacity is dependent on the Principal's credit profile, size, industry, etc., and for quality credits, capacity isn't just available, it often outstrips client needs. Many of the top sureties can now offer programs exceeding \$1 Billion of capacity.
- 2021 surety premiums industry-wide topped \$7.4B, up from \$6.9B, and 2022 should close with roughly \$8.0B in premium. The industry-wide direct loss ratio was 22.8% in 2020. It dipped to 17.5% in 2021 and is expected to be similar for 2022 give or take a few % (15.0% through Q3 2022), however, some individual sureties have not fared so well and incurred sizeable losses.

2023 - Surety Market

Construction and home building still drive much of the surety marketplace's volume and profitability, as they account for roughly 70% of the market.

Commercial surety is only 30% of the market, so negative trends or losses in the contract surety arena have rapid spillover effects onto commercial surety market conditions.

It appears 2023 will continue the trend as another profitable year for surety (17 years running). Capacity remains strong and readily available for quality credits.

Surety pricing remains flat overall. Availability remains strong especially for higher quality credits.

Leverage remains to be an underwriting key. Labor, supply chain, rising interest rates and inflation are common concerns to be addressed currently.

Property/Business Income

Matt Maurer

Property & Business Income

- 2023 Average Property Rate Increases
- Who Is Experiencing the Largest Increases?
- The Role of Reinsurance
- What are Insurance Carriers Looking for At Renewal?
- Business Income - make it a priority
- Renewal considerations for a changing insurance marketplace
- How long will it last?
- What can you do?





Thank You for Attending

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