U.S. Casualty Market Outlook: Mid-Year 2021

Helping you come through for your clients

RPS℠ RISK PLACEMENT SERVICES

Over the last 18 months, we have weathered a difficult environment that in many ways altered how businesses conduct their operations. We adapted, pivoted and can now look ahead as we reopen, recover and rebuild. Challenges clearly remain, but our resilience as an industry and as a trusted resource is unshakeable and worthy of celebration. Moving forward, we will continue to help businesses protect their assets, improve their risk profiles, and address new and emerging risks.

MARKET TRENDS

2020 saw the most challenging and erratic Casualty market in 30 years, marked by dramatic rate increases, vacated capacity and coverage non-renewals, particularly in the Umbrella/Excess market. Although not as painful as last year, the Excess market in 2021 remains unpredictable and rates continue to firm.

Rate increases, however, are not as dramatic as last year, currently averaging 15%-25%, versus 30% or more in 2020 for high-hazard segments such as Sexual Abuse and Molestation, Assault and Battery and Cyber.

In addition, fewer carriers have non-renewed business or cut their capacity in 2021 to the extent they did on 2020 renewals, depending, of course, on the industry and exposures involved.

BY LINE, SECOND QUARTER 2021 RATE CHANGES RANGED FROM 0.3% TO +17.4%

	COMM'L AUTO	WORKERS' COMP	COMM'L PROPERTY	GEN'L LIABILITY	UMBRELLA	AVERAGE
Second Quarter 2021	6.8%	0.3%	9.9%	6.0%	17.4%	8.1%
First Quarter 2021	9.0%	1.0%	12.0%	6.2%	19.7%	9.6%
Fourth Quarter 2020	9.1%	0.4%	12.9%	7.3%	21.3%	10.2%
Third Quarter 2020	11.0%	1.5%	14.2%	6.7%	22.9%	11.3%
Second Quarter 2020	9.6%	0.7%	13.3%	6.8%	20.0%	10.1%
High	28.6%	24.9%	45.4%	26.0%	51.9%	35.3%
Low	-11.6%	-12.3%	-15.0%	-13.6%	-13.5%	-13.2%

Source: The Council of Insurance Agents and Brokers (CIAB) Q2 2021 Commercial Property/Casualty Market Index

Building Excess Towers

As you move up the Excess tower, pricing today can be characterized as consistently inconsistent. More upward pricing pressure is being seen in a tower than there is in the lead layer.

"Whereas in 2019 it was possible to secure a $5 million xs $5 million Excess layer for 25% of the cost of the lead $5 million, by the end of 2020 that same layer was averaging 60% or so of the lead $5 million," noted Adam Mazan, RPS Area President, Southern California. "The thought behind the relative increase is that if there is a loss over $1 million, the probability of it being a $10 million-plus loss isn't much less than the probability of it only being a $5 million or $6 million loss, so carriers started charging for it. This causes a ripple effect up the tower with the carrier attaching at $10 million pricing, not only off a higher starting point but also increasing its relativity as well."

In addition, three or four carriers are needed in certain segments to make up the tower's overall limit.

New Entrants

New capacity has entered the marketplace, bringing in much-needed competition, which is a significant change this year over 2020. Although at this point the new entrants are not driving rates down, but rather helping to temper price increases.

"In the last three months, we have seen eight to 10 new entrants with no legacy issues and the ability to hold rates," said Bill Wilkinson, RPS President, National Casualty Practice. "The new entrants are being strategic in how they build their books of business, looking to establish a long-term footprint with the accounts they choose to write. Those with legacy issues, however, will continue to push rate increases."

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For low-hazard, well-performing accounts, competitively priced renewals – with anywhere from 5%-10% year-over-year increases – are available.

Differing Appetites

The Excess and Surplus (E&S) market in 2021 is performing on two different levels. Good risks are finding better rates and terms and conditions, while others are facing steeper rate increases and underwriting challenges.

"For low-hazard, well-performing accounts, competitively priced renewals – with anywhere from 5%-10% year-over-year increases – are available," said Mazan. "The biggest challenge in the marketplace is with mid- to high-hazard accounts, where carriers continue to push rates and have changed their underwriting philosophy. Carriers are assessing whether they want to write risks with specific exposures – such as Heavy Auto, Sexual Abuse and Molestation, Assault and Battery (A&B), Liquor, Cyber and Wildfire – at any price, or focus on low-hazard accounts where they can build their book."

In addition to underwriting selection, carriers continue to impose restrictive coverage terms and conditions for high-hazard accounts.

"The Sexual Abuse and Molestation exposure is where you see the biggest change, with only a handful of carriers offering coverage and those offering it doing so on a claims-made basis. In the past, coverage was typically addressed on a silent basis following the occurrence coverage trigger of the policy," said Mazan.

The change from the silent approach to an affirmative claims-made approach also changes the coverage trigger to per-victim from per-perpetrator in most instances, which further narrows the scope of coverage and availability of limits, especially in recent cases where there are multiple victims of the same perpetrator.

Court is in Session, Again

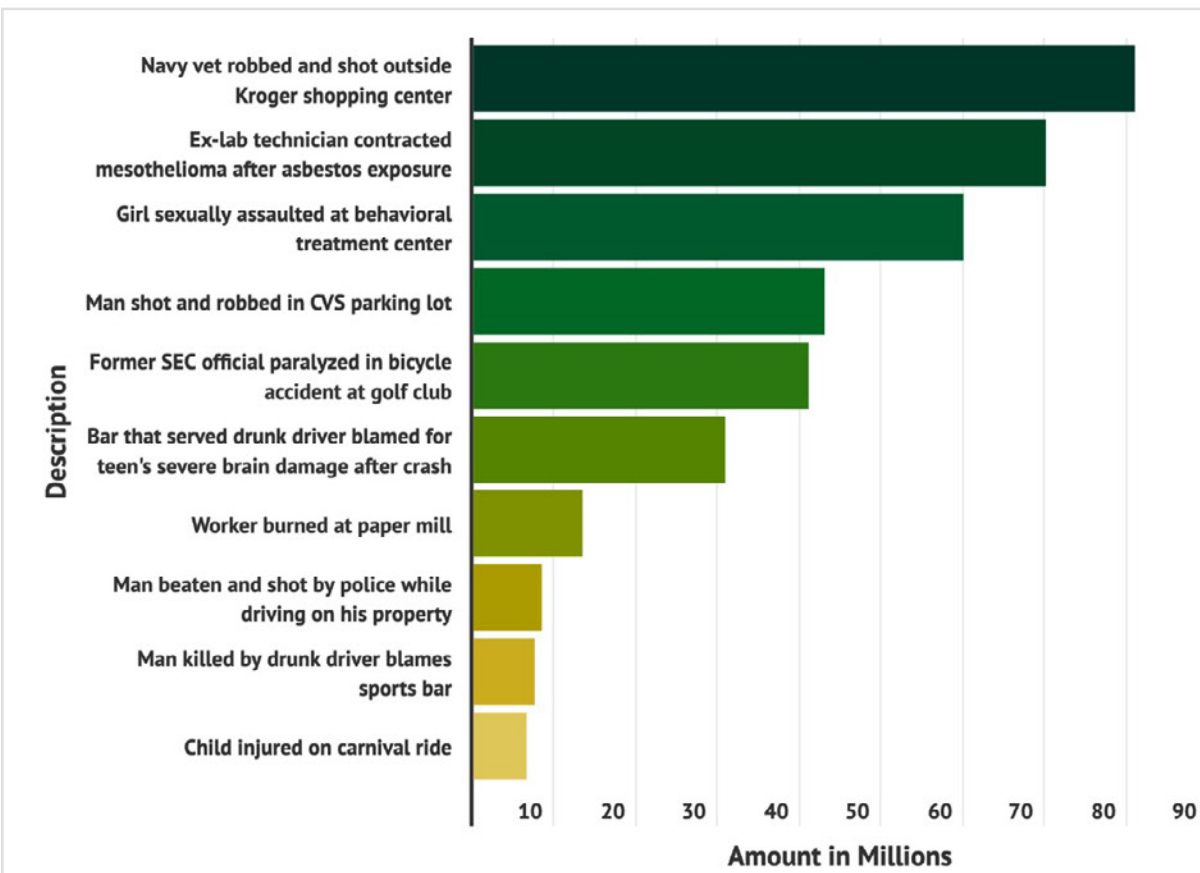
Nuclear verdicts, driven by strong anti-corporate sentiment and private equity funding of third-party litigation, continue to impact rates.

"During 2019-2020, for example, three verdicts of $35 million to $81 million were rendered in A&B settlements where negligence was attributed to the insured," explained Wilkinson. "In one case, the shooting didn't take place on the premises, and in the other two cases, the shootings took place in the parking lots at night while the businesses were closed."

Whether or not negligence exists seems to be ambiguous in today's litigation environment.

These massive verdicts serve to foster rate pressure, restrict capacity deployment and cause unpredictability in the marketplace. It will be important to pay attention to claims trends and the outcome of cases over the next two quarters now that the courts have reopened, as this will have a big impact on what the Excess marketplace looks like in 2022.

TOP PREMISES LIABILITY VERDICTS



Source: CaseMetrix

HABITATIONAL

The Habitational Casualty market remains beset by rate increases and diminished capacity, with some carriers choosing to no longer write General Liability (GL) and Excess coverage in the sector due to the influx of losses.

These losses include abuse claims, pool drownings and shootings, along with a rise in Habitability claims.

“The hardest market right now is Habitational, due to the rise in Assault and Battery (A&B) claims,” noted Wilkinson.

“Insureds are being drawn into lawsuits if an incident took place at their location regardless of whether or not negligence exists,” explained Mazan. “At the very minimum, defense costs can run into the tens of thousands of dollars.”

For example, in Texas, two residents of a first-floor apartment got into an altercation. One of the residents retrieved a gun and shot the other resident in the foot. Although the property owner was not responsible for the dispute in any way, the entity was named in the lawsuit.

Carriers are quoting renewals with restrictive terms that include Sexual Abuse and Molestation, Assault and Battery, and Habitability exclusions.

“A&B exclusions are common in certain areas in Florida and Texas because of crime codes and the legal climate,” Mazan noted.

Habitability exclusions are common in California due to the state’s civil code, which outlines standards expected for tenantable living space.

The habitability exclusion excludes liability coverage from claims arising from alleged or actual violations of any health and safety, civil or federal law as it pertains to habitability. It also excludes all associated legal defense.

Many carriers are additionally asking for significant deductibles or retention levels on the GL.

Recommendations

- Provide underwriters with extended loss histories and the risk management techniques adopted by the habitational risk to help with the account’s renewal process.
- Get to market early and present the most complete renewal package to underwriters.

CONSTRUCTION

Contractors are optimistic as more new projects and renovations get on their books. Increased receipts and an uptick in payroll are all good signs for the industry. The anticipated infrastructure bill is also boosting confidence within the industry.

There are concerns, too, as the industry continues to face a skilled labor shortage, supply chain issues and the high cost of materials, which may stymie anticipated growth moving forward.

The Construction Casualty market continues to see rate increases as a result of social inflation, nuclear judgments, third-party litigation funding, higher medical expenses and state laws, although not at the same magnitude as last year.

Low-risk accounts are seeing some relief on the GL side. On the Excess side, in some cases, there are still double-digit increases, particularly if an account has had losses, and for accounts with a large auto exposure, habitational construction risks, and/or street/road construction.

"Many carriers are requiring higher GL limits and an Auto attachment of $2 million, $5 million or more," said Sarah Wirtz, RPS Area Senior Vice President/Casualty Manager, National Environmental Practice Leader.

As a result, the use of auto buffer placements is becoming more commonplace.

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"A lot of carriers are competitive on the primary package, but on a supportive Excess basis they're looking for a $2 million Auto attachment," noted Russ Stein, RPS Senior Vice President. "In these instances, we will place $1 million on the primary with a $2 million attachment on Excess for the Auto placement. The standard carrier will write the GL, Auto and Workers' Comp with only $1 million on the primary Auto; and the lead Excess for $10 million, with a $2 million attachment for the auto exposure. This is being done, for example, for civil contractors and paving and grading contractors with larger auto fleets, with a vehicle breakout significantly shifted toward heavy and extra heavy units," said Stein.

Using the past to predict the future is becoming more difficult, as we haven't seen claims activity and verdicts like this before.

Carriers are opting to offer reduced limits on the Excess as well, particularly in the E&S space.

"Where you once saw $25 million limits, you are now getting $10 million or $5 million, as well as the need for more carriers to participate in the tower, depending on the exposure and class," said Brian Permenter, RPS Vice President, Construction.

There is also greater underwriting scrutiny, with certain states like New York, South Carolina, Florida, Texas, Nevada Colorado and California tougher than others due to their laws and litigation environment.

Underwriters are scrutinizing loss information, with some carriers asking for 10 years of loss history for high risks. "It behooves an agent to have a good, clear picture of the risk and to get the account to market as soon as possible," recommended Permenter. "Waiting too long can impact pricing and make it more difficult to obtain an adequate response from the market."

Moving forward, it's difficult to anticipate what's going to happen next. Carriers are experiencing a lot of losses on the books, and there is a great deal of uncertainty as to where the legal environment is in the U.S. right now and how it will impact the Casualty market.

"Using the past to predict the future is becoming more difficult, as we haven't seen claims activity and verdicts like this before," said Stein.

But the good news is that new players are entering the space, which could result in more aggressive pricing and more capacity in the Excess towers.

There are also a few new entrants looking to grow that are rolling out new products, such as wraps and project-based coverage.

Impact of Construction Innovation

Innovation is driving new construction in part with green building materials. For example, green concrete is being used for some buildings, as it cuts carbon emissions anywhere from 30% to 100%.

Recycled plastics for roofing are also being utilized. Cross-laminated timber, which provides an easy retro-fit in post-beam construction (e.g., converting old factories into lofts), emits less CO2 in production than steel and regular concrete.

"While innovation is great, it will be interesting to see if these new materials are as tried-and-true as those traditionally used," Stein noted. "What potential claims will result from the use of these materials? Are they as sturdy and reliable as traditional materials? It's too early to tell, but it's something the insurance industry is watching."

ENVIRONMENTAL LIABILITY

In the real estate transfer space (i.e. redevelopment, brownfield), where Environmental Liability insurance is required as part of a financing agreement, it was easier in the past to obtain a five-year or longer policy term. Much more typical today is a one- to five-year term.

"It's also more difficult to obtain coverage for pre-existing exposures unless the appropriate documents exist, such as Phase I or Phase II environmental reports," said Wirtz.

Additionally, a large direct Environmental insurance market is no longer writing Site Pollution coverage, leaving gaps in the market.

"Some insureds have five- and 10-year policies, creating a void on renewal, or an opportunity for new business, depending on how you look at it. A policy written five years ago may not have documentation available to secure identical terms and conditions as originally written," Wirtz noted.

Environmental insurers continue to assess their coverage forms and are imposing more exclusionary coverage, including for communicable diseases and per- and polyfluoroalkyl substances (PFAs), depending on the account.

As buildings and job sites reopen, mold, Legionella and other indoor environmental claims are also expected. Coverage remains for these exposures but each carrier's form should be evaluated.

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Contractors Pollution Liability

Contractors Pollution Liability (CPL) has historically had one of the lowest combined ratios/loss ratios in the industry, which has lured many new carriers into the CPL marketplace.

Over the years, forms have broadened and premiums have decreased. Only for the last five years or so have term limits tightened and capacity decreased.

"You have many carriers/MGAs ready to put up $5 million, but gone are the days of the $50 million/$100 million limits from a single carrier," explained Nick Langham, RPS Area Vice President and Environmental Specialist. "Although capacity has decreased, CPL coverages are still relatively inexpensive."

In addition, although there are many carriers in the marketplace, it can still be more difficult to procure the required coverage for different projects and operations, according to Langham.

"An energy-related construction risk, for example, remains more difficult than a simple construction risk, where you have multiple carriers ready to write the coverage."

Recommendations

- Have a clear understanding of each account and its loss history and how an insured can mitigate claims going forward.
- Provide underwriters with as much information as possible for favorable outcomes.
- Get a read from carriers 90 days ahead of renewal to see where they stand on pricing and capacity.
- Leverage the benefits of virtual communication with underwriters, insureds and your staff to tell the account's story across all lines.

NEW YORK CONSTRUCTION

After a two-month shutdown due to the pandemic and a subsequent six-month construction lag resulting from overall uncertainty, construction in New York is starting to look up.

A great deal of commercial and residential renovation and rehabilitation is currently taking place. The government's proposed infrastructure bill, if passed, will generate more construction spending in New York, bringing further optimism to the industry.

Amid this renewed optimism, the unusual landscape of the New York Construction market continues to make it more difficult to operate there.

The Casualty market remains firm with losses driving up rate pressure. Capacity remains limited for the GL and even more so on the Excess layers.

"There aren't many markets that will write $5 million on a lead account and, if they do, they're employing stringent underwriting requirements," explained Antoinette Sacchi, RPS Area Vice President. "Most carriers require five to seven years of loss runs."

Renewal shopping is the norm, again particularly for those accounts with significant losses.

"Some insureds are even struggling to get insurance, which wasn't originally contemplated in their job bids," Sacchi said. "There is a limited pool of carriers willing to write in New York because of its Labor Laws, which place absolute liability on the employer as well as the owner and general contractor."

Amid this renewed optimism, the unusual landscape of the New York construction market continues to make it more difficult to operate there.

"Construction workers can and do sue for negligence in the event of an injury as a result of a fall or due to a falling object striking them. The costs to investigate these Labor Law claims keep rising, with carriers spending $150,000 in defense fees alone before any settlement is reached. In fact, these cases can take years to settle," Sacchi added.

Some contractors are opting to change the way they operate to lower their insurance costs.

Instead of having direct labor employees, they may operate as a general contractor (GC) and subcontract 100% of the work.

Others are taking a hybrid approach where they serve as the GC and have a limited number of employees, with a huge part of the work done by subcontractors to help reduce their insurance spend.

Recommendations

- Provide guidance to help insureds who have losses rehabilitate their operations. If an account is distressed due to multiple open or paid Labor Law claims over a five-year period or a couple of larger shock losses, educate the insured as to the steps to take that will help turn things around.
- Recommend an insured considers hiring a safety consulting firm to assess the operation and identify where improvements can be made to prevent/mitigate future Labor Law claims. The more measures an insured takes to present to the marketplace, the better the renewal process and insurance placement.

ENERGY

The Energy market today is in a much better place than it was at this time last year. The demand for oil dropped significantly in 2020 as travel came to a halt and manufacturing slowed down due to the pandemic.

Fast-forward a year. Oil prices are up and demand is increasing amid the summer months. "As the price of oil goes up, so does the rig count and field operations and the need for insurance products," explained Grant Bryant, RPS Area Senior Vice President, Energy and Environmental.

Another positive indicator for the Energy market is the number of consultants returning to the workforce and on job sites.

Yet it's important to note that as operations increase, so do liability losses due to the number of people on a given site. More activity also means more vehicles on the road and, consequently, more claims.

In fact, losses continue to be steady in the Energy Casualty market, particularly for Auto exposures.

"Currently, we are looking at an average 10%-15% rate increase across the board on the Casualty side," said Bryant. "The GL is experiencing the least amount of rate pressure at just under 5%. But with Auto rate increases at 15%-25%, and Excess rates at 10%-20% and higher, they more than make up for the flatness in the GL."

Additionally, a great deal of capacity exited the space due to the troubled London insurance market, which was hit hard by the pandemic, resulting in greater dependency on the U.S. domestic market.

The demand for oil dropped significantly in 2020 as travel came to a halt and manufacturing slowed down due to the pandemic.

"Lloyd's is just starting to get back to work," noted Bryant. "Two or three years ago, for example, a $20 million to $25 million Excess tower was built with two or three carriers; today you need five insurers to create a tower over a tough primary risk, particularly if it's auto-driven."

Pollution is also a principal driver of losses in the Energy market. "We're just starting to see the Environmental market firm, which has been behind the curve of other lines and will inevitably put more rate and capacity pressure on the Excess," Bryant said.

Driving the potential for enhanced pollution exposure is the concern over having skilled technicians on the job. Coming off the pandemic there is a labor force demand, with operations looking to staff up quickly yet unable to get the same level of experienced individuals they had before. This creates substantial exposure for primary carriers, which in turn impacts Excess insurers.

"There are several seasoned underwriters who have formed Energy divisions with other companies, and we're seeing great success with them. We've worked with these individuals and know and trust them," said Zach Burdine, RPS Area President, Texas. "More entrants will help stabilize the market, in addition to tort reform bills being passed."

Commercial Auto Tort Reform

Tort reform may help to stem the nuclear verdicts seen on the Auto Liability side within the Energy sector.

"The Texas governor signed into law a bill that makes it more difficult to take trucking companies, including in the oil and gas sector, to court, which may alter the landscape and mitigate some nuclear verdicts," said Zach Burdine, RPS Area President, Texas.

The Texas bill, among other things, requires a two-part trial in civil actions involving a commercial motor vehicle, if requested in a motion by the defendant.

In the bifurcated trial system, the driver of the vehicle subject to the civil action must be found "negligent in operating an employer defendant's commercial motor vehicle" before the lawsuit can proceed to the second phase, which involves a claim against the driver's employer.

The Cyber Factor

The 2021 ransomware attack against the nation's largest pipeline system for refined oil products, along with other cyber-related incidents, has brought cyber exposure in the Energy industry to the forefront. "There are a great deal more inquiries for Cyber insurance," said Bryant.

"The fallout from this large ransomware attack created 5,500 miles of pipeline that was inoperable for a period of time, impacting consumers at the gas pump due to supply shortages," noted Burdine.

"For years we've talked about how amazing technology is in the Energy sector, specifically in the midstream space," Burdine shared. "We have the ability to monitor and change things remotely. For example, you can be on a golf course and use your cell phone to open and close valves."

But with advanced technology comes increased cyber vulnerabilities.

"All midstream companies should be looking at purchasing Cyber coverage. Every industry is vulnerable to a ransomware attack," Burdine stressed.

Renewable Energy

The world is demanding the use of more renewable energy. With the support of government tax incentives and subsidies, this sector is growing and more domestic insurance players are providing Excess coverage.

"Carriers are increasing their appetite to include renewables," said Bryant. "RPS is well-versed in the amount of additional capacity coming into the market to meet the insurance needs of the commercial and residential renewable energy space."

Recommendations

- Expectations are that Excess rate increases in the Energy sector will continue until the end of year and likely into the first and second quarters of 2022. Setting realistic renewal expectations for insureds will be very important.
- Evaluate the insureds' specific exposures and contractual obligations, along with risk transfer options. Become familiar with the insureds' master service agreements and responsibilities to provide alternative solutions for a competitive insurance program, including higher deductible and quota-sharing options.

SPORTS/ENTERTAINMENT AND BARS/RESTAURANTS

The Sports/Entertainment and Bars/Restaurants industries were greatly impacted by the pandemic, with 2021 now a turning point for these sectors as the country opens up and people are back in stadiums, going to concerts, and enjoying indoor and outdoor dining.

Excess rate increases are not as high as they were during 2019 and 2020, but will continue their upward trend, particularly for accounts with significant loss history and where Sexual Abuse and Molestation and Assault and Battery (A&B) claims have been a concern.

"Rates are going up based on account experience, with an average of 5%-7% increases for well-performing businesses and entities," explained Christian Enwright, RPS Area President, Boston.

"We are not seeing the double-digit increases of last year unless the account has a poor loss history," continued Enwright. "Rates are being driven by individual accounts and their risk profiles. Capacity is also generally available for insureds with good experience."

Underwriting is focused in part on how establishments are handling the pandemic moving forward, what protocols (including sanitizing requirements) are in place, and how they are dealing with crowds, for example.

"With new establishments being created post-COVID, it's an opportunistic time for agents to focus on hospitality with the hope that the segment will come back stronger than ever," Enwright stressed.

Recommendations

- Review current coverages and point out potential gaps in an insured's program.
- Be on the lookout for reduced Liquor Liability limits as well as exclusions for Sexual Abuse and Molestation.
- Urge clients to consider Excess coverage as well, as there are still many insureds in the hospitality space that are not adequately covered.

RELIGIOUS SECTOR

Challenges continue in 2021 in the Religious sector with Sexual Abuse and Molestation coverage experiencing the most stress. Many domestic carriers are unwilling to provide the coverage or are cutting limits.

Most insurers still offering coverage have moved from an occurrence form to claims-made for Sexual Abuse and Molestation.

"There are fewer carriers willing to write Sexual Abuse and Molestation, and those that do provide coverage are requiring higher minimum premiums from at least $100,000 to upward of $200,000," explained Shawn McCall, RPS Area Senior Vice President.

Maintaining profitability and keeping their loss ratio at 100 or below is a big issue for carriers on the primary side.

"As a result, carriers are taking a harder look at renewals and asking more questions. There are also longer delays with submissions due to the need for management approval," explained McCall. "Carriers are getting off accounts that are unprofitable."

"On the Excess side, we're seeing 15%-25% rate increases and, in some cases, even more if there are unrated carriers below them in the tower. In addition, whereas in the past it took one carrier to provide $25 million limits in a tower, it now takes several. Also, many carriers are focused on making sure no one is charging more per million above them in the Excess tower," McCall shared.

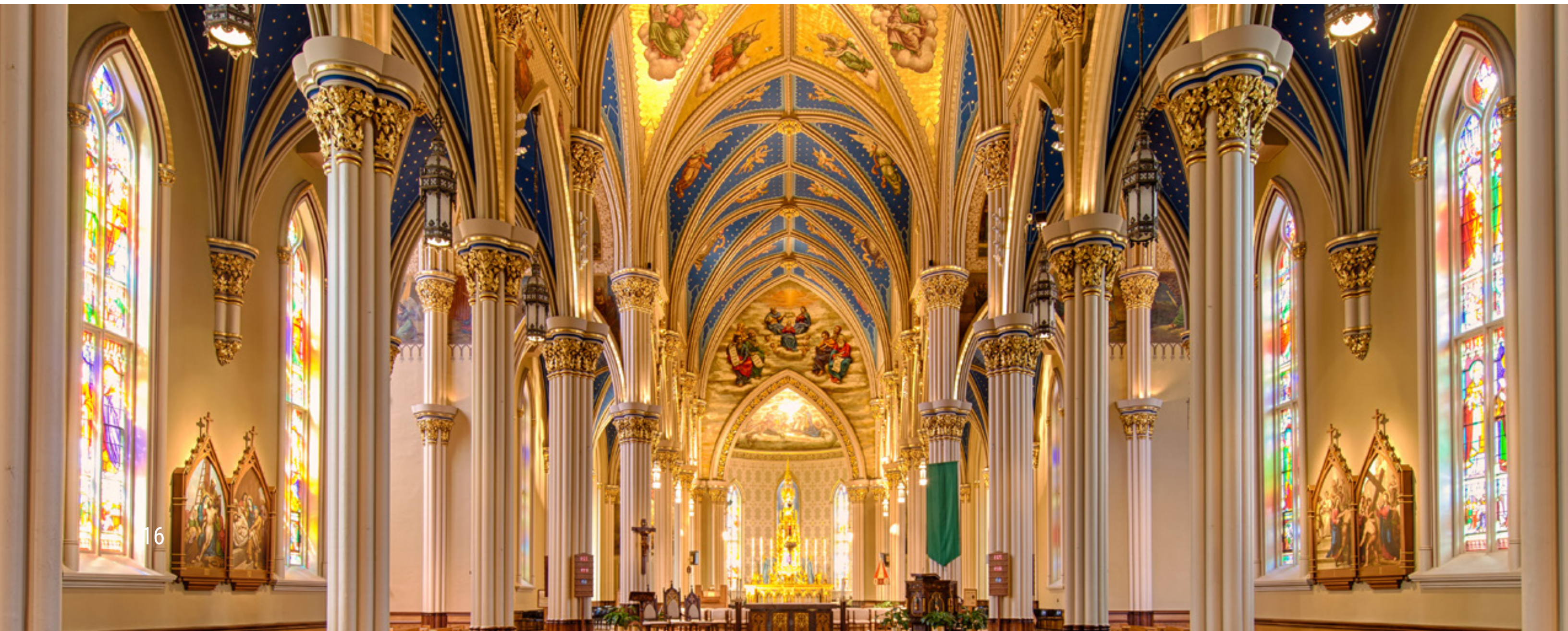
Sexual Abuse and Molestation settlements are surpassing previous high benchmarks across the nation.

Social inflation and nuclear verdicts are in part responsible for the lack of capacity and rate pressure.

"Sexual Abuse and Molestation settlements are surpassing previous high benchmarks across the nation. One of the largest recent verdicts involving a sexual abuse case was $40 million for one victim at a New York school. Other large settlements came in at $35 million, $25 million, and many are more than $10 million," said McCall.

Lawsuits are also becoming more frequent, exacerbated by litigation funding, aggressive plaintiff attorneys and media scrutiny.

Although the courts were closed due to the pandemic, most believe social inflation will continue in the area of Sexual Abuse and Molestation cases now that cases are back on the docket.



Evolving Statutes of Limitations

States across the country have enacted so-called “reviver” statutes allowing otherwise time-barred claims for sexual abuse to proceed. Although the statutes vary by jurisdiction, they typically are designed to: 1) eliminate the statute of limitations for such claims; 2) extend the statute of limitations for such claims; or 3) create a window (e.g., a period of a few years) in which otherwise time-barred claims can be filed.

The enactment of such statutes has led to both a wave of new lawsuits across the country against institutions, including religious institutions that employed the alleged abusers, and to bankruptcy filings by many of those institutions.

For example, when California opened its Sexual Abuse and Molestation statute window in 2003, it saw an average of $1.3 million in new claims. Vermont also has eliminated all Sexual Abuse and Molestation statutes of limitations, which may bring in the same onslaught of lawsuits as in California.

“Recently, we have seen religious carriers advance retro dates from 2004 to 2020 without much notice. The Sexual Abuse and Molestation exposure will be difficult to underwrite and is unsustainable for insurers to cover, as statutes change and lawsuits continue at the pace they are,” said McCall.

Looking ahead at 2022, the extent of the market firming will depend on carriers, if any, coming into the marketplace.

Recommendations

- Submit a complete and comprehensive application for the insureds with details on any large claims or known incidents, including what has been done to mitigate issues for future claims.
- Provide a narrative on Sexual Abuse and Molestation risk management improvements insureds have made in the past year, including the implementation of background checks on all volunteers.
- Have insureds provide updated Sexual Abuse and Molestation policies and procedures, including incident reporting.
- Demonstrate that the insured’s Sexual Abuse and Molestation risk management is best-in-class, or better than its peers.
- Talk to insureds about taking on more risk through a captive or with a self-insured retention strategy.
- Stay on top of trending issues and become a resource for insureds.

Looking ahead at 2022, the extent of the market firming will depend on carriers, if any, coming into the marketplace.

INTO THE FUTURE, TOGETHER

Knowledge of loss-leading exposures and fear of the unknown will continue to drive underwriting decisions in the Casualty market and limit available capacity, especially in certain sectors like Habitational and insureds with heavy auto exposures.

Rates will continue to rise throughout 2021 and into 2022, but buyers should expect a less-challenging market, particularly those with a strong risk profile.

Additionally, the consensus is that rates will continue to rise throughout 2021 and into 2022, but buyers should expect a less-challenging market, particularly those with a strong risk profile.

The level of rate increases will be based on an account's loss history, industry and risk characteristics. Additionally, new entrants in the Excess market are contributing to the slower pace of rate increases.

Agents and brokers can take the following measures to help shape more positive outcomes for clients moving forward.

- Engage with partners early on strategy and objectives to approach the marketplace with a clear understanding of what success looks like. Every underwriter has a pricing bandwidth it needs to fit between. Starting the renewal process as early as possible will enable more productive pricing conversations. Set and manage expectations by being direct with the buyer to help them understand the reasons behind today's tough market, including its ongoing inconsistency and unpredictability, which impacts pricing, coverage limits and terms, and capacity.
- Collect as much underwriting data as possible, including seven to 10 years of currently valued loss runs, completed supplementals, updated exposure schedules, safety manuals, liquor protocols, fleet maintenance manuals, and any other documents that can help differentiate the insured and bring the submission to the forefront of the underwriter's attention.
- Providing underwriters with all of the information they need upfront allows them to expedite the referral process to management and up the chain of command, should the risk warrant that type of attention and sign-off.

Experience and relationships still matter in today's market—maybe now more than ever.

Independent agents and brokers should choose a wholesale broker with a solid track record and longtime relationships with underwriters. Seasoned wholesale brokers who have experienced the market's historical ups and downs know how to negotiate and structure coverage programs to adapt to the insured's available funds, enabling them to face their future with confidence.

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