

# State of the Market: Commercial Risk Summary

## Recalibrating for Resiliency

*2024 Outlook*

## Introduction

In 2023, various forces shaped insurance markets in a state of transition, presenting both challenges and opportunities for insurance companies, businesses, and individuals alike. As a response to the varied conditions, companies and individuals sought ways to respond to the marketplace by transforming the vicissitudes of risk into beacons of opportunity.

So, what is the commercial insurance market signaling at the start of 2024?

January 1st reinsurance renewals certainly lend some perspective, with a more orderly renewal season being a welcome change from 2023. This year's renewals are indicative of improved capacity, greater predictability, and a shift to stabilization. Familiar forces, such as weather events, the economy, geopolitical dynamics, and emergent technologies, will also continue to shape a shifting insurance terrain.

What one can always expect from the insurance market is that it will course correct and respond to the global realities that impact all of us in ways that affect the availability and pricing of coverage. Whether it is business insurance, employee benefits, private insurance, or a combination of these needs, you too have the power to remain resilient by recalibrating your approach to risk management with the evolving world and insurance market. As the market changes, you can rely on Baldwin Risk Partner's (BRP) advisor and client experience teams to remain steadfast and dedicated to clients, working in partnership with you to find viable solutions that help protect your now and your future.

## Commercial Risk Outlook

The commercial property and casualty (P&C) market continues to course correct in search of equilibrium. At this point, the challenges are well documented – an uncertain economy, weather events, geopolitical dynamics, nuclear verdicts – and throughout 2023, insurance companies across lines of coverage continued to respond and adapt to the realities at play, remaining disciplined in the underwriting process. In 2023, some lines of coverage remained hardened, others showed signs of moderation, and certain segments even softened.

Just as insurance companies find ways to adapt to a continuously changing world, so too do policy holders. When planning for the unknown, businesses are seeing that they can answer the call by making strategic, informed decisions regarding their insurance program design, investments in loss controls, and alternative risk transfer solutions. In 2024, organizations will need to remain vigilant and adaptable to positively impact the results they can obtain from the insurance market.

Headed into 2024, what are insurers signaling to policy holders? Has underwriting discipline paid off and translated to improvements in loss ratios and overall performance? And how can buyers be strategic as they approach the market, contain the cost of risk, and find ways to recalibrate for long-term resiliency?

As you prepare to navigate a shifting insurance landscape, working in partnership with BRP's commercial risk experts to understand how changes in the market impact your insurance portfolio and balance sheet can help you create strategies that secure your business's long-term success. In this market update, we will cover the factors reshaping the commercial P&C space, and how your organization can respond.

## Market Drivers and Trends

In 2024, many familiar forces will continue to shape the commercial P&C market, including:

- Weather events - Primary and secondary perils will keep placing persistent upward pressure on the commercial property insurance market.
- Social inflation and nuclear verdicts - In a litigious society, juries continue to reward massive verdicts in civil liability cases, and insurance companies that cover these types of claims feel the impact, which results in decreased capacity, increased rates, and broadened underwriting scrutiny
- Economy - Most business economists indicate that the U.S. could avoid a recession in 2024. Many experts also predict the rate of inflation will slow in 2024. For insurance companies, slowing inflation could provide a respite from ballooning claims costs.
- Geopolitical dynamics - Political violence on the rise, the Russia-Ukraine conflict, elevated trade tensions between China and the United States - all these have negative implications for economic growth. 2024 is also a presidential election year in the United States, and a potential change in administration could lead to regulatory changes that impact the commercial risk and insurance space.
- Supply chains - Though supply chains might now be more stable, many insurers are still catching up with increased claims costs that stemmed from supply chain snags in the last few years, and it will take more time before newfound normalization translates to decreased rate pressure for property lines.
- Artificial intelligence - In 2024, AI's role within the insurance industry is likely to grow as insurance companies look to improve the underwriting process, risk modeling accuracy, operational efficiency, and overall client experience. With insurers' adoption of AI solutions still in its more nascent stages, the effect on rates for clients is yet to be seen.
- Alternative risk solutions - More organizations have turned to alternative risk solutions, such as parametric solutions, as a means to control their risk and insurance spend and to find capacity that may not otherwise be available for more difficult to place risks.

## Reinsurance Renewals

While reinsurance renewals in 2023 sent shockwaves through the insurance industry due to steep increases, delays, and constrained capacity, 2024's January renewals were markedly different. Market correction and improved results can be attributed to greater underwriting discipline, easing capacity pressures, and favorable capital conditions.

## Commercial P&C Overview

The commercial P&C market continues to send mixed signals, with some lines performing favorably, and others remaining challenged. At the offset of 2024, significant bifurcation characterizes the rates and results policy holders can expect across lines in the commercial P&C market, creating what can be described as a tale of two markets.

On one end of the spectrum, accounts with loss history, a lack of loss controls, in challenged industries, and in disaster-prone areas are seeing much greater increases and, in some cases, encountering difficulties finding coverage. For difficult to place risks where insurance companies are reluctant to deploy full capacity, policy holders are pushed to build up the coverage they need with shared programs and alternative risk solutions. On the other end of the spectrum, best-in-class organizations with moderate exposures are experiencing fewer hurdles in the market. Policy holders that provide specific evidence to underwriters of how loss controls and their operational structure both reduce the likelihood of a loss and improve their ability to rebound from a claim will see much better results.

## In Conclusion

The insurance market will continuously shift in search of stability, affecting the options available to buyers. As you recalibrate your approach to the insurance market and look for ways to maximize the value of insurance for your organization, BRP's advisors are ready to help you discover your resiliency and work toward your long-term success. With experience navigating all market conditions, long-standing relationships with insurance companies, access to valuable resources, and expertise across many industries, we stand by our clients as they explore strategies that contain the cost of exposures and find insurance solutions that align with business priorities.

Together, we'll help you make informed insurance purchasing decisions to help protect your business, employees, and family.



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