



# REAL ESTATE

## MARKET TRENDS

While challenging market conditions remain, there are some positive indicators for businesses. In the second half of 2021, the scale of rate increases decelerated. While insurance prices are still above their historical averages, we expect to see a continual softening of the insurance market for many lines.

### IMPACTS ON TRENDS

The following are additional factors that are currently influencing insurance rates in the real estate industry:

#### SUPPLY CHAIN & INFLATION ISSUES

Prolonged periods of inflation can make it challenging for insurance carriers to maintain coverage pricing and subsequently keep pace with more volatile loss trends. Unanticipated increases in loss expenses can result in higher incurred loss ratios for insurance carriers, particularly as inflation affects key cost factors (e.g., medical care, litigation, and construction expenses). In 2021, rising inflation was reflected within the commercial property industry by way of higher costs for building materials and skilled labor. These inflation concerns are expected to continue during 2022, potentially contributing to increased coverage costs.

#### CATASTROPHIC (CAT) LOSSES

Floods, hurricanes, wildfires and similar disasters are increasingly common and devastating. Years of costly disasters like these have compounded losses for insurers, driving up the cost of coverage overall, especially when it comes to commercial property policies.

LINE OF COVERAGE	PRICE PREDICTION FORECAST
COMMERCIAL PROPERTY	Overall: Flat to +10%
GENERAL LIABILITY	Overall: Flat to +10%
COMMERCIAL AUTO	Overall: +5 to +15%
WORKERS' COMPENSATION	Overall: -5 to +5%
CYBER LIABILITY	Overall: +15 to +50%
DIRECTORS AND OFFICERS LIABILITY	Private/nonprofit entities: +5 to +15% Public companies: +5 to +25%
EMPLOYMENT PRACTICES LIABILITY	Overall: +5 to +15%

In 2022, we predict that most policyholders will encounter another year of modest rate increases. Renewal results will likely depend on an organization's exposures, class, and loss history.

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# HOW KAPNICK CAN HELP

Despite challenges to the industry, Kapnick can help. We have a variety of resources, partnerships, and strategies to ensure you have the right program in place for your needs and long term goals.

## SOME OF THESE TOOLS INCLUDE:

- Provide education on key market changes affecting your rates and how to respond using loss control measures.
- Begin the renewal process early. Many insurers are seeing an increased submission volume. Timely, complete, and quality submissions are vital to ensure your application will be reviewed by underwriters.
- Conduct a thorough inspection of both your commercial property and the surrounding area for specific risk management concerns. Advise additional mitigation measures as needed.
- Analyze your organization's natural disaster exposures. If your commercial property is located in an area prone to a specific catastrophe, implement mitigation and response measures (e.g., install storm shutters on windows to protect against hurricane damage or utilize fire-resistant roofing materials to protect against wildfire damage) to protect your property as much as possible.
- Determine whether you will need to adjust your retentions or limits to manage costs.
- Provide risk assessments to recommend safety training and injury-prevention methods.
- Recommend telemedicine options, and workplace wellness initiatives aimed at preventing or treating chronic health conditions and improving the overall well-being of your staff. These initiatives can help reduce the risk of your workforce developing co-morbidities.

For more information, reach out!



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