

2021 Commercial Property Insurance Market Outlook



The commercial property market has steadily hardened in recent years, resulting in rate increases every quarter since Q3 2017. Unfortunately, these rate increases—as well as additional policy restrictions—are expected to continue in 2021. We predict that many insureds will experience double-digit rate increases, lowered available capacity and various policy restrictions or exclusions—especially regarding losses tied to weather events or the COVID-19 pandemic. Policyholders who conduct high-risk operations with poor loss control practices or are located in natural disaster-prone areas may encounter more severe rate changes, higher retentions and decreased coverage limits.

Trends to Watch

- **Natural disasters**—In 2020, a range of natural disasters took place—including over 58,000 wildfires across the West Coast, hundreds of tornadoes in the Northeast and Southeast, a handful of hailstorms in the Midwest and a record-breaking number of hurricanes on the East Coast. These catastrophes are only expected to worsen in the coming years and often leave behind devastating property damage for affected establishments.
- **Civil unrest incidents**—Occurrences of civil unrest—which have taken place in communities throughout the country this past year—can create unique challenges for business owners and their commercial properties. Namely, these incidents can leave businesses vulnerable to vandalism, stolen or damaged goods, and property damage. Civil unrest can also force establishments to temporarily close or alter business hours to ensure employee and customer safety, resulting in lost income.
- **COVID-19 and property coverage**—While some organizations were granted a limited amount of protection under their property insurance policies for losses stemming from pandemic-related business interruptions, most businesses have encountered unresponsive policies due to either virus-related coverage exclusions or a lack of physical property damage—which is often a necessary policy trigger for business interruption claims. Most policies issued after the emergence of COVID-19 have incorporated specific exclusions for losses pertaining to communicable diseases or the pandemic.

2021 Price Prediction

Non-CAT exposed:
+5% to +20%

CAT exposed:
+10% to +25%

CAT exposed with poor loss history:
+25% to +40%

Tips for Insurance Buyers

- Work with your insurance professionals to begin the renewal process early. Timely, complete and quality submissions are vital to ensure your application will be reviewed by underwriters.
- Gather as much data as possible regarding your existing risk management techniques. Be sure to work with your insurance professionals to present loss control measures you have in place.
- Conduct a thorough inspection of both your commercial property and the surrounding area for specific risk management concerns. Implement additional mitigation measures as needed.
- Address insurance carrier recommendations. Taking the appropriate steps to reduce your risks whenever possible can make your business more attractive to underwriters.