

# State of the Insurance Market

## The Insurance Pendulum – What is a Hard Market?

The Insurance Market Is “hardening” — today.

Insurance companies are paying out more money than they can get back in premiums and investments. As a result, insurers are more cautious about what risks they can take on. They are pulling back on coverage, lowering limits, and raising premiums. This is known as a “HARD MARKET.” And until the insurance industry starts making money again—fewer claims, lower payouts, higher returns—rates will keep climbing upwards.

What is causing the hard market?

1. Claims are rising in frequency and severity with higher payouts all-around.
2. Years of premium reductions, and heavy losses, are making companies unprofitable.
3. Various financial crises, along with the pandemic, have virtually eliminated interest gains from stocks and bonds.

Why are claims increasing?

SOCIAL TRENDS are a key factor. In an increasingly litigious society, companies are being held accountable more than ever. The result? \$10.2B spent on commercial property and liability losses in 2018.

Record-breaking numbers of catastrophic weather events nationwide have led to extensive property and auto damage.

What does the hard market mean for you?

After a few tough years, the Canadian insurance industry is operating at or near a loss across all lines. With billions of dollars in losses, the industry first started to experience a hard market in 2019 and it continued into the first quarter of 2020. These conditions will, no doubt, persist with the outbreak of COVID-19.

Even the most prepared insurance buyers will have to adapt. Businesses can expect to face higher premiums, reduced coverage, **stricter underwriting criteria**, and fewer insurer options to choose from.