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Article

The State of the Property Market – what can you expect?

Richard Montminy • February 10, 2023

It’s a challenging time for the property market, and as we ease into 2023, we’re closely monitoring market conditions with an eye to what will unfold in the coming year.

The bottom line is that hard market conditions continue to be the news of the day. Coming out of the 1/1 Reinsurance renewals period, Cat capacity continues to be significantly starved, especially for US property, due in large part to the ongoing increasing frequency and severity of US and Global Nat Cat events. The significant increase in Reinsurance costs is trickling down, and as a result, the market is experiencing some of the hardest market conditions since 9/11. Many brokers and carriers have not previously experienced conditions like this, and clarity over the risks and working in partnership will be key.

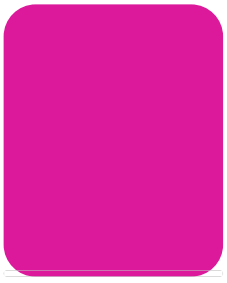
Alongside current market conditions, the issues being created by climate change are shifting property from its previous place as a commoditized product into a more specialist market, which has always been Beazley’s sweet spot. The market is realizing that climate change is now the new normal and that the past is not the guide to the future. The property market now requires specialist insurers to come back into it. That is why we are leaning in and looking to grow our property book as a long-term play.

Currently on the non-Cat International front we are seeing average increases in the single digit to the 10+% area as some competitors flock away from the US Cat market to diversify their portfolios. While in the US, for clean, non-Cat business the market continues to support average rate increases in the +10% range while the clean Cat business is seeing +15 to 20+% and finally the business with Cat exposures and loss experience is trending from +30 to +50%. These rates are likely to remain consistent throughout the year, barring any significant loss events that could cause them to rise even further.

This challenging market coupled with the inflationary pressures to continue to support proper replacement cost values has pushed some large corporations to consider significantly higher deductibles, retention strategies, and/or self-insurance. While the small and mid-market business segments typically do not have the robust balance sheet to self-insure their assets, making it even more challenging for them to navigate this current market.

Another area that we are continuing to address is contract certainty around our policy wordings and terms & conditions. Over the years, wordings have become broader, and most policies today include many traditional as well as bespoke specialty coverages including terrorism, strikes, riots, and civil commotion (SRCC), contingent time element, other ancillary coverages, and broadened peril definitions. Some of these coverages and broadened terms/definitions have created challenges within the Reinsurance market resulting in gaps in Reinsurance for the retail property market. There are clients for where these specific coverages aren't necessary, and they can be removed. However, for other clients like the retail sector, SRCC may be a necessary cover, and as such, we will endeavor to continue to offer it. The various market challenges are having an impact on capacity, as well as specific coverages, and terms, which is why our recent capital raise is so important in enabling us to look to support our clients and scale up our property book even in these challenging market conditions.

It is in times like these that partnership, experience, and depth of capital pay dividends for everyone in the chain. Having emerged as an early mover with our capital raise, we are in a fortunate position, able to write larger, consistent lines across the various segments of the market, across all regions of our property book. This includes growing our book with new clients as well as supporting and increasing our support for clients that have been with us for a while. We are looking forward to supporting both retail and wholesale brokers and providing them with a depth of quality cover and award-winning, personalized claims service that they need in these testing times.



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