



Insurance Marketplace Update: May 2023

State of the Market

Public Entity:

Property Pricing:

The property market for public entity is expected to continue to harden in 2023, especially in catastrophic (CAT) prone regions. This is due to tough reinsurance treaty renewals and a focus on adequate property values. After January 2023, we have seen rates up 30% to 40% due to the reinsurance treaties. Accounts with favorable loss history could see rate increases as high as 20% to 30% with higher retentions.

Casualty Pricing and Trends

In recent years the number of insurance carriers in the municipality liability market has been greatly reduced.

Excess capacity has further been constrained by hesitancy from participating market treaty reinsurers towards public entities due to increased loss costs, nuclear jury verdicts, aging infrastructure, modified views of social responsibility, and litigation funding.

Remaining primary and excess insurers continue to adjust their pricing methodologies and available limits (higher costs and lower limits) to account for the increases in frequency, cost, and severity of claims.

In addition to inflationary forces (social, economic, and medical), this continued rate pressure can be attributed to growing awareness of social issues, and the claims associated with them. The possibility of claims stemming from sexual abuse and molestation claims at public K-12 school districts and higher educational institutions, civil rights violations by governmental entities (bypassing state tort caps), auto liability events, street and road design losses, active assailant incidents, and alleged wrongdoings and/or discrimination by law enforcement is increasingly factored in to insurance premiums.

This trend has pronounced effect in states with joint and several liability, like California and Washington, where a single party in a multi-defendant lawsuit can be held responsible for economic damages up to the entire amount awarded.

Moving forward, public entity accounts that can effectively demonstrate sufficient risk management and loss control protections, along with appropriate risk profile attachment points and credible property valuation data, will have better pricing and coverage options.

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