THE MAHONEY GROUP®

Confidence to Face Whatever Lies Ahead

2023

Market Report and Forecast

Understanding the Trends Driving Rates in Commercial Insurance

Table of Contents

A Shifting Market

A Shifting Market

Businesses across the U.S. have been dealing with a "hard" insurance marketplace — one marked by quarter after quarter of steep rate increases and shrinking capacity – since 2019. The welcome news for the year ahead is that we expect to see a stabilization in rates after a deceleration in rate increases in some lines in 2022.

Does that mean we're out of the woods, and that double-digit rate increases for some lines of coverage are over? Unfortunately, no.

The increased frequency and severity of claims, growing "social inflation" issues, lasting complications created by the COVID-19 pandemic, widening cyberthreats and worsening natural disasters have fundamentally reshaped the insurance market.

Let's also not forget the Russia-Ukraine war, lingering supply-chain challenges, rising interest rates and inflation.

As a result, limited capacity, stricter underwriting standards and, again, rising rates for some business policies are all in the picture for the year ahead.

We expect the headwinds facing certain lines of coverage, especially commercial property, auto and cyber, to pose the biggest challenge.

With all this in mind, it's essential for businesses to bolster their risk management efforts if they hope to secure the most robust coverage possible.

As we've done for more than 100 years, The Mahoney Group is here to help you navigate the constantly evolving commercial insurance marketplace, to help ensure you're properly covered to address your unique risks, and to advocate on your behalf.

You need insurance professionals who can tell your story to insurance carriers in a way that will best position your business come renewal time. You also want insurance professionals on your team who understand the dynamics of the current market cycle and know how to navigate a hard market.

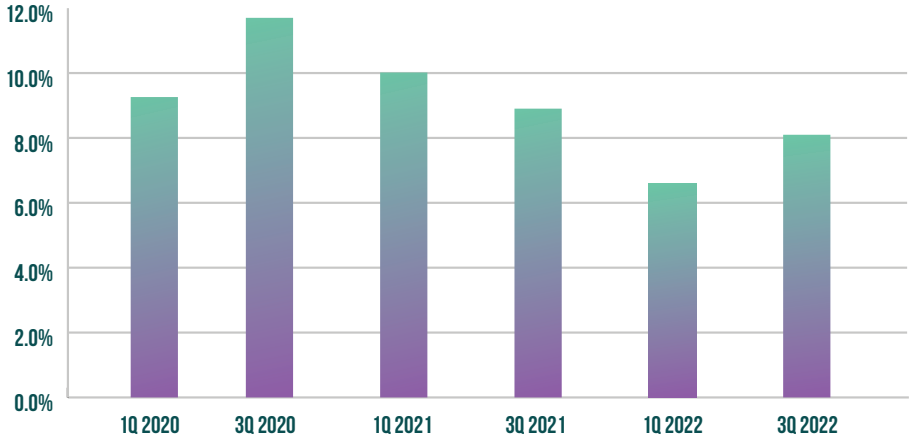
In these challenging times, The Mahoney Group is here to provide the insurance guidance and risk management expertise your business needs.

The Insurance Market Cycle: Understanding Hard vs. Soft Markets

The commercial insurance world typically fluctuates between hard and soft markets. These fluctuations affect the availability, terms, and price of commercial insurance, so it's helpful to know what to expect in both a hard and soft market.

As we've noted, rates began to stabilize somewhat in 2022, with increases moderating for most lines compared to 2021 and 2020. The majority of lines recorded lower average increases at the start of 2022, though the average rate increase seen in the third quarter was higher than in the first (see chart).

Average Rate Increases, 2020-2022



Source: Council of Insurance Agents and Brokers

Trends Influencing Rates

Whether the market will soften further remains to be seen. All sorts of economic trends can and will affect the insurance marketplace. Here are those most likely to drive rates up – and potentially down – in 2023.

Inflation

Last year was a particularly troubling year for inflation, as evidenced by a surging consumer price index (CPI). According to government data, the CPI for all urban consumers increased by 9.1% year-over-year in June 2022, reaching a 40-year high. While the CPI cooled off in the months that followed, it remained near record-setting levels, coming in at 7.7% in October. The bottom line was that inflation drove up claims costs for several lines.

Within the property insurance space, for example, the costs to repair, replace or rebuild structures and their contents soared, spurred by higher labor and material expenses.

In the auto insurance market, collision repair costs also surged, the result of persistent global supply-chain disruptions.

To help curb inflation, the Federal Reserve steadily raised interest rates in 2022. Moving into 2023, economic analysts predict the Fed's efforts will pay off, with inflation slowly subsiding throughout the year.

According to investment bank Goldman Sachs, the core price consumption expenditures index (CPE) — the inflation calculation utilized by the Fed that excludes food and energy prices — is expected to drop to 2.9% by the end of 2023. That's closer to the Fed's preferred CPE of 2%.

Recession

Some economic experts have forecast that rising interest rates could lead to a potential recession in the next six to nine months.

Fortunately, lots of economy watchers also anticipate inflation to slow further and say that any coming recession will prove to be mild and brief.

Regardless, businesses will want to prepare for an economic downturn. According to a KPMG survey, more than 75% of executives confirmed their businesses already have recession-proofing measures in place. These measures may include establishing concrete financial plans to maintain profit margins, scaling back certain operations, promoting steady cash flow with shorter payment terms for customers, ensuring proper debt management, fostering strong connections with stakeholders, and leveraging effective marketing strategies.

Whether it's mild, moderate or worse, it's important for businesses to maintain ample insurance coverage in a recession. A strong management liability insurance portfolio will protect a corporate entity, its balance sheet, and c-suite when stakeholders sue for, say, breach of fiduciary duty. Faltering economies also give rise to employment-related lawsuits.

Geopolitical Conflicts

Last year saw several international disruptions, including the ongoing Russia-Ukraine conflict. These types of global events have had far-reaching impacts, prompting new tariffs, export restrictions, economic sanctions, and subsequent surging fuel and energy costs in many countries.

Furthermore, such events exacerbate inventory backlogs, material shortages and other supply-chain issues.

Considering these developments, it's no surprise that the latest industry research revealed more than one-fifth (21%) of businesses named war and terror as their top risk concern in 2022, up from 15% in 2021.

As these events continue to unfold, businesses will want to prepare for potential disruptions and find ways to cut transportation costs, closely monitor evolving global trade policies and consider domestic production solutions (e.g., switching from an international vendor or raw material to a U.S. alternative).

Companies also will want to keep a close eye on cyberthreats, a growing problem as nations clash.

Insurers, in fact, have become more apprehensive in providing cyber coverage, requiring insureds to provide detailed documentation of their cybersecurity practices. Furthermore, insurers are increasingly revising their policies to include language that provides clear and consistent guidelines for what is and isn't covered amid a rise in state-sponsored cyberattacks.

Social Inflation

The term "social inflation" refers to litigation trends that drive up the costs of insurance. They include:

Litigation Funding
Litigation funding occurs when a third party provides financing for a lawsuit. In exchange, the third party receives a portion of the settlement. In the past, the steep cost of attorney fees would often scare plaintiffs away from filing a lawsuit, let alone taking it to trial. But, through litigation funding, most or all of the costs associated with litigation are covered by a third party, which has increased the volume of cases being pursued.

Plaintiff-friendly Legal Decisions and Large Jury Rewards
The overall public sentiment toward large businesses and corporations is increasingly negative, and anti-corporate culture is, in fact, more prevalent than ever. A number of factors are contributing to this increasing distrust, including highly publicized cases related to the mishandling of personal data.

This has had a considerable impact on how businesses are perceived by juries, and organizations are being held to higher standards than ever. In fact, juries are increasingly likely to sympathize with plaintiffs, especially if a business's reputation has been tarnished in some way in the past.

Compounding this issue, there's an increasing public perception that businesses — particularly large ones — can afford the cost of any damages. This means juries are likely to have fewer reservations when it comes to awarding big damages. In the current environment, these so-called nuclear verdicts (awards of $10 million or more) have become more common.

Increased regulatory scrutiny

The Biden administration and the Equal Employment Opportunity Commission have been collaborating on various regulatory initiatives to fight discrimination in the workplace. In a recent report, the EEOC said that it has been leveraging both enforcement capabilities and education and outreach efforts in its fight against discrimination.

The White House also announced plans to expand the EEOC's workforce to 2,300 employees by 2023 —up from approximately 1,900 by 2020. This growth in employees is expected to mean even greater enforcement capabilities, litigation and subsequent EPL claims going forward.

As regulatory scrutiny intensifies, it's increasingly important for businesses to maintain workplace policies and procedures that foster a culture of equality and inclusivity. Doing so will help mitigate the risk of discrimination claims and associated Employment Practices Insurance losses.

Other Factors that Influence Your Rates

There are plenty of other factors that can influence your rate. Here's a quick list:

The coverage you're seeking — The kinds of insurance you're seeking, as well as the details of the coverage (e.g., limits of liability and value of insured property), will affect your insurance pricing.

The size of your business — As a general rule, the more employees your business has and the more revenue you generate, the more you will pay for your insurance.

The industry in which you operate — Certain industries carry more risk than others. Think of construction, for example. In general, businesses in these sectors are more likely to file insurance claims. As a result, businesses involved in risky industries tend to, on average, pay more in insurance premiums.

The location of your business — The location of your business will also influence your commercial insurance rates. If your business is located in an area prone to certain natural disasters, insurers may determine that your facility is more at risk for property damage. This increased risk will translate to higher insurance premiums. Also, some states may be more business-friendly or employee-friendly, so that, too, will influence rates.

Your claims history — Your business's claims history, or your loss history, will also have an impact on insurance rates. If your business has an extensive claims history, then insurance carriers will tend to consider your company more likely to file future claims. This, in turn, means that your business will be viewed as risky to insure, subjecting you to higher premiums.

Your risk management practices — Now more than ever, conducting a careful assessment of your business's unique exposures and establishing effective, well-documented risk management practices can make your business more attractive to insurance carriers. After all, having a robust risk management program in place reduces the likelihood of costly claims occurring, as well as minimizes the potential losses that your business could experience from an unexpected event.

2023 Rate Forecasts

The rates forecast in the chart below are based on industry reports. Forecasts are subject to change and are not a guarantee of the premiums you pay. Insurance premiums are determined by a multitude of factors and vary per organization. These forecasts should be viewed as general information, not insurance or legal advice.

LINE OF COVERAGE	PRICE FORECAST
Commercial property	CAT-free: **+10% to +15%** CAT-exposed: **+15% to +25%**
General liability	Overall: **+5% to +10%**
Commercial auto	Overall: **+3% to +15%**
Workers' compensation	Overall: **-5% to +5%**
Cyber liability	Overall: **+25% to +100%**
Directors and officers liability	Private/nonprofit entities: **-10% to +7.5%** Public companies: **-15% to +2.5%**
Employment practices liability	Overall: **+10 to +25%**
Excess	Overall: **+10% to +30%**

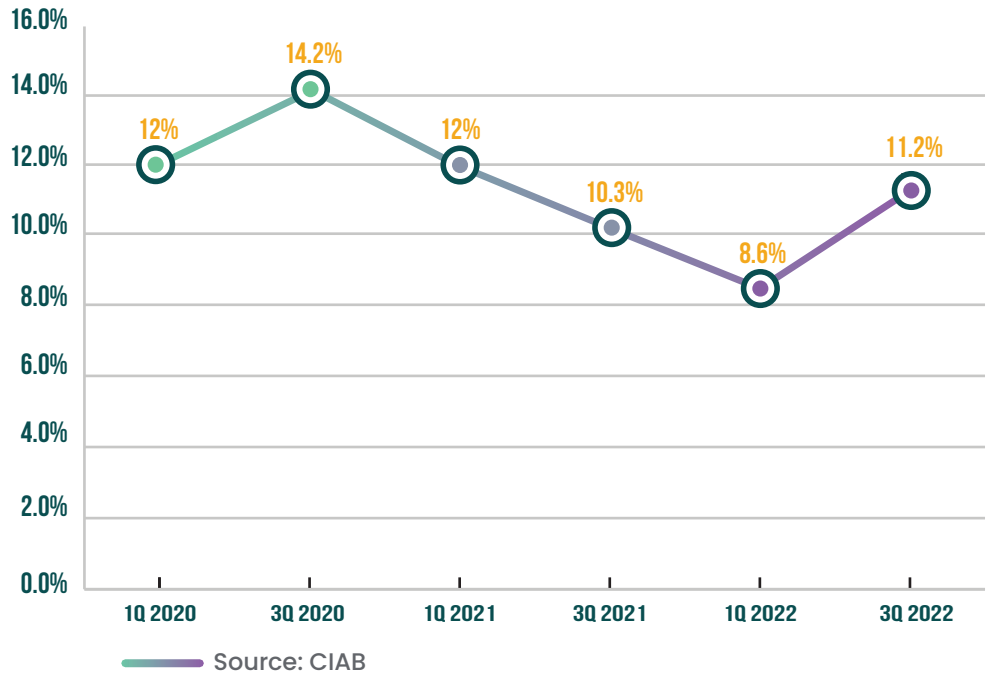
Commercial Property Insurance

Commercial Property Insurance

The frequency and severity of natural disasters have played havoc on the commercial property market in recent years, resulting in devastating property losses and, of course, multibillion-dollar claims.

Property rates did show signs of slowing in early 2022, with average increases in the single digits before climbing again in the third quarter. Rates are still on the rise going into 2023, thanks to yet another intense season of natural disasters, along with persistent supply chain challenges and substantial inflation issues. Losses stemming from these trends have forced commercial property insurance carriers to continue raising premiums and implementing more restrictive coverage terms.

Commercial Property Rate Change



Furthermore, some insureds should expect to see above-average rate increases and lowered capacity —particularly those exposed to CAT perils (e.g., hurricanes and wildfires). The same applies to those with high-risk operations, or those with poor loss-control practices.

2023 PRICE PREDICTION

Commercial Property Insurance

CAT-FREE:

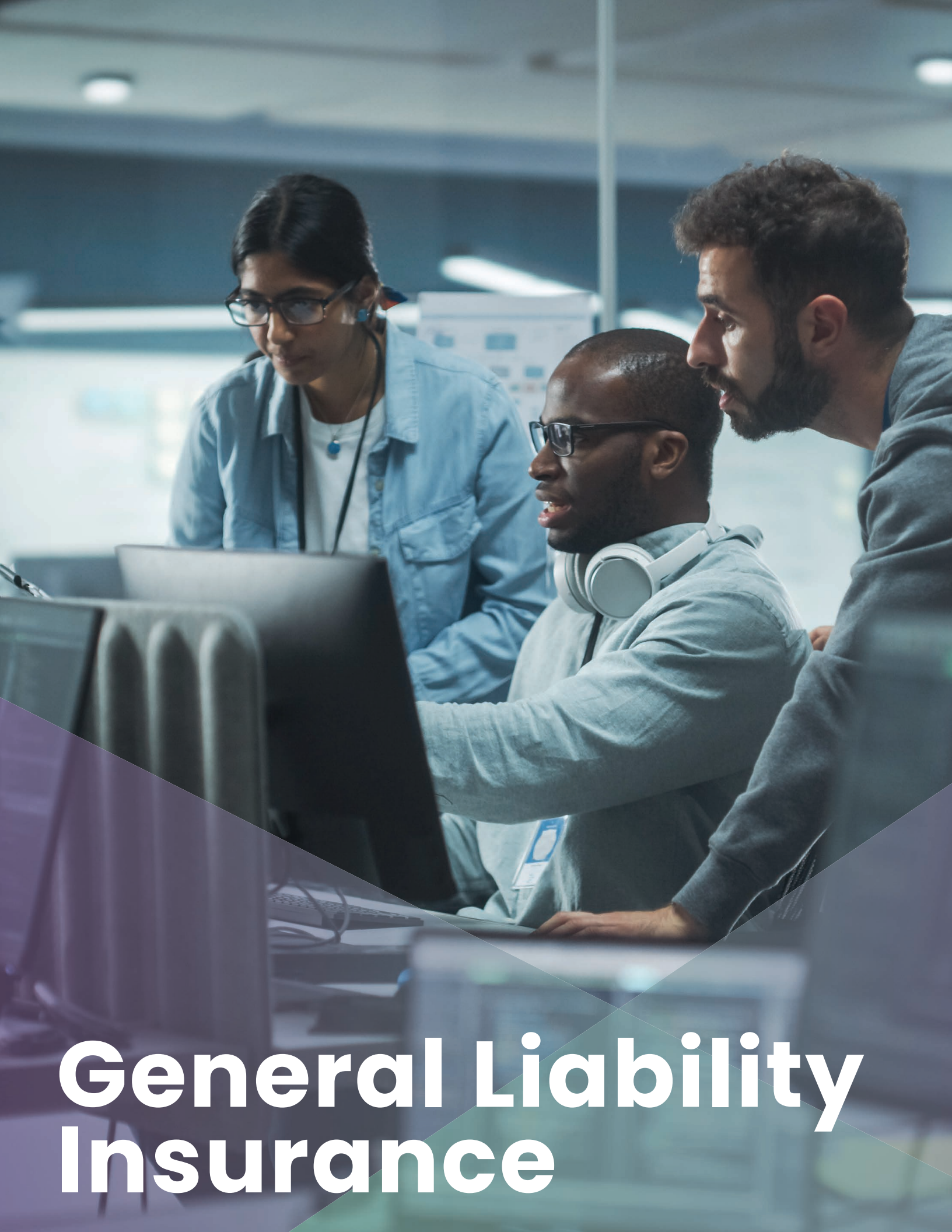
+10% TO +15%

CAT-EXPOSED:

+15% TO +25%

Tips for Insurance Buyers

- Conduct a thorough inspection of your property and the surrounding area for specific risk management concerns. Implement additional mitigation measures as needed.
- Work with insurance professionals to begin the renewal process early. Many commercial property insurers are seeing an increased submission volume. Timely, complete, and quality submissions are vital to ensure your application will be adequately 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.
- Analyze your organization's natural disaster exposures. If your commercial property is located in an area that is more prone to a specific type of catastrophe, implement mitigation and response measures that will protect your property as much as possible if such an event occurs (e.g., installing storm shutters on windows to protect against hurricane damages or utilizing fire-resistant roofing materials to protect against wildfire damages).
- Make sure ITV calculations are up-to-date and accurate to remain fully protected when covered events occur and avoid potential coinsurance penalties.
- Develop a documented business continuity plan that will help your organization remain operational and minimize damages in the event of an interruption.



General Liability Insurance

General Liability Insurance

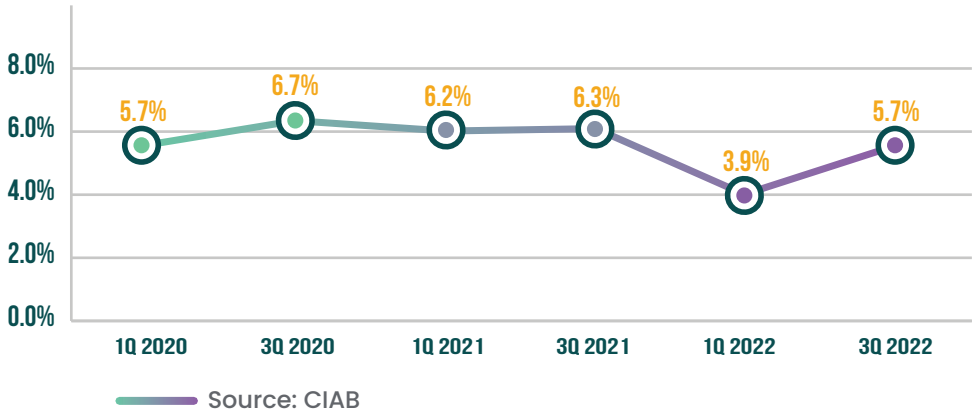
This segment has steadily underperformed for insurers over the past few years due to rising claim frequency and severity. In response, carriers have tightened underwriting standards, reduced capacity, and increased rates. However, things did get better in 2022, paving the way for rate deceleration.

That said, several concerning trends across the segment — including social inflation issues, active assailant exposures and rising medical expenses — still have the potential to raise claim costs going forward and negatively impact rates.

As such, policyholders can expect yet another year of modest rate increases in 2023. Renewal results will likely depend on insureds' exposures, class, and loss history.

Policyholders who operate in sectors with elevated general liability risks (e.g., construction and manufacturing) may see larger rate increases, more restrictive underwriting standards and lower coverage limits.

Commercial General Liability Rate Change



2023 PRICE PREDICTION

General Liability Insurance

OVERALL:

+5% TO +10%

Tips for Insurance Buyers

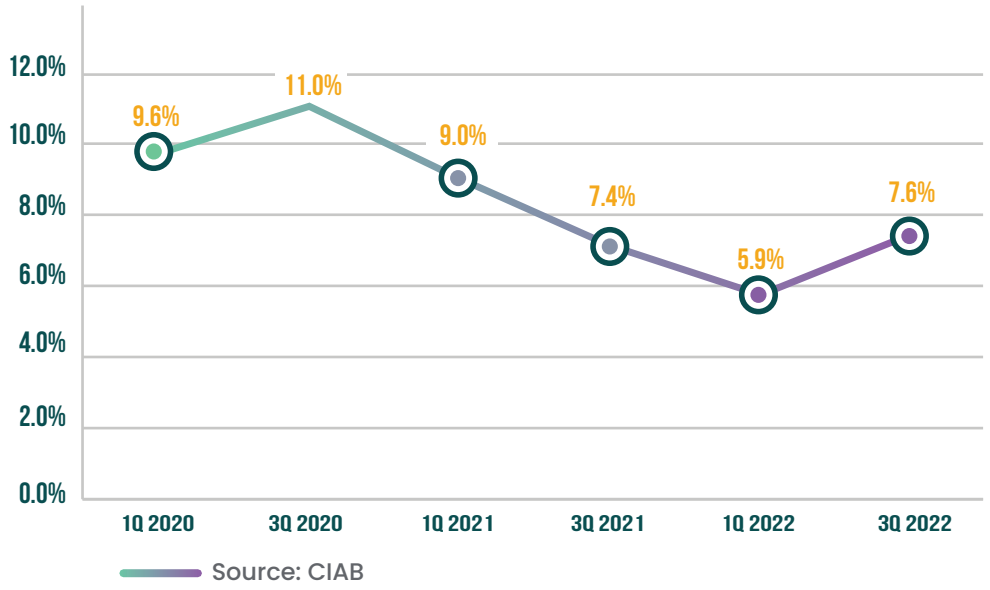
- Work with your insurance broker to educate yourself on key market changes affecting your rates and how to respond using loss control measures. Ensure limits match up with your insurance needs.
- Ensure your establishment has measures in place to reduce the likelihood of customer or visitor injuries (e.g., maintaining safe walking surfaces and promoting proper housekeeping).
- Identify and address any completed operations liability exposures and mitigate any product liability exposures (if your organization makes or sells products).
- Create workplace policies and procedures aimed at minimizing active assailant exposures and establishing effective response protocols amid potential incidents.

Commercial Auto Insurance

Commercial Auto Insurance

The commercial auto insurance market has faced substantial underwriting losses for more than a decade. In fact, a recent report from credit rating agency AM Best revealed that the segment has encountered more than $20 billion in total underwriting losses since 2011. These losses have occurred despite the fact that commercial auto premiums have gone up since late 2011.

Commercial Auto Rate Change



We can blame social inflation and nuclear verdict concerns, surging accident frequency and severity, and a widespread shortage of truck drivers for all this.

Rate increases did remain in the single digits in 2022, demonstrating signs of easing when compared to double-digital rate jumps that took place in prior years. This slowing can be attributed to a re-emergence of insurers that had previously been inactive in the market as well as the growing implementation of telematics – technology that allows insurers to collect driving data and ultimately ensure more accurate premium pricing.

Nevertheless, several trends remain pressing concerns in the segment, including claims frequency now back at pre-pandemic levels and increasing overall loss severity.

With all this in mind, policyholders across industries and vehicle classes can expect to see further rate increases going into 2023. Moreover, insureds with larger fleets or poor loss history may be more vulnerable to more dramatic rate hikes, lowered capacity, and potential coverage limitations.

2023 PRICE PREDICTION
Commercial Auto Insurance

OVERALL:
+3% TO +15%

Tips for Insurance Buyers

- Examine your loss control practices relative to your fleet and drivers. Enhance your driver safety programs by implementing or modifying policies on safe driving and distracted driving.
- Design your driver training programs to fit your needs and the exposures facing your business. Regularly re-train drivers on safe driving techniques.
- Establish adequate driving schedules to reduce driver fatigue. Educate employees on driver fatigue and encourage them to take a break if they start experiencing symptoms behind the wheel.
- If you have just begun offering delivery services or recently hired new delivery drivers, fully assess the risks associated with these changes and implement measures to minimize potential damages (e.g., driver training programs and safe delivery protocols).
- Ensure you are hiring qualified drivers by using motor vehicle records (MVRs) to vet drivers' experience and moving violations. Disqualify drivers with unacceptable driving records. Review MVRs on a regular basis to ensure that drivers maintain good driving records. Define the number and types of violations a driver can have before they lose their driving privileges.
- Consider technology solutions, such as telematics, where appropriate to strengthen and supplement other loss control measures.
- Implement an employee retention program to maintain experienced drivers.
- Prioritize organizational accident prevention initiatives and establish effective post-accident investigation protocols to prevent future collisions on the road.
- Examine your Federal Motor Carrier Safety Administration BASIC scores to identify gaps in your fleet management programs, if applicable. (BASICs stands for Behavior Analysis and Safety Improvement Categories.)
- Determine whether you should make structural changes to your commercial auto policies by speaking with your insurance broker.

Workers' Compensation Insurance

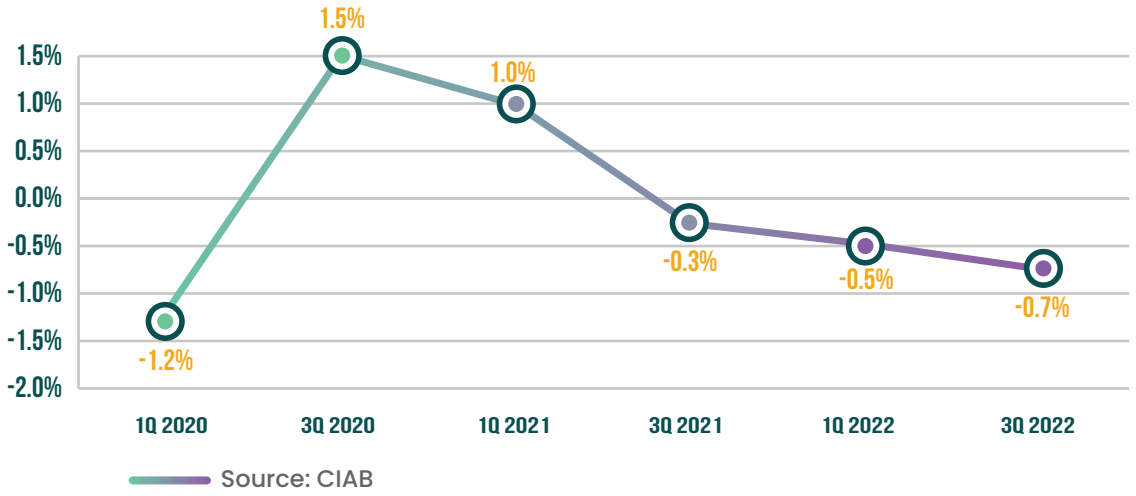
Workers' Compensation Insurance

The workers' compensation insurance market has remained stable for much of the past decade, standing out as an exception compared to other lines of commercial coverage.

That's the good news. The not-so-good news is that musculoskeletal disorders among remote workers, post-traumatic stress disorder (PTSD) concerns within the health care sector, rising comorbidities, and declines in overall well-being have contributed to rising claims.

At some point, workers' comp rates will no doubt harden. For now, however, industry experts predict that the market's past profitability will allow for continued stability in 2023. Therefore, most policyholders can anticipate minor rate increases at worse. Insureds with higher experience modification factors, however, will likely see greater rate jumps.

Workers' Compensation Rate Change



2023 PRICE PREDICTION

Workers' Compensation Insurance

OVERALL:

-5% TO +5%

Tips for Insurance Buyers

- Implement safety and health programs to address common risks, especially when using a loss-sensitive workers' compensation program.
- Conduct routine safety training for employees of all experience levels.
- Consider implementing various digital solutions — such as wearable safety technology and telemedicine — to help prevent and treat injuries within your workers' compensation program.
- Establish 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 comorbidities and promote greater employee retention. Additionally, consider incorporating mental health resources and support options within employee wellness offerings.
- Develop an effective return-to-work program that properly supports employees in the process of healing from a work-related illness or injury and resuming job duties following their recovery.
- Develop policies and procedures aimed at helping remote employees make their workspaces more ergonomic to prevent injuries at home.
- Ensure accurate payroll projections. Having correct wage information is critical for conducting accurate premium calculations, especially amid rising inflation concerns. Errors in payroll projections could present serious consequences, such as inadequate rates, insufficient benefits or a lack of ample coverage following costly claims.
- Pay close attention to applicable state-regulated and carrier-negotiated fee schedules for workers' compensation coverage. Through the utilization of fee schedules, employees can receive much-needed health care for work-related illnesses and injuries without significantly driving up claim costs — even with medical inflation issues on the rise.
- Have clear processes established for handling workers' compensation claims as diligently and efficiently as possible. Effective claim management protocols can often help mitigate claim severity and prevent similar losses from occurring in the future.

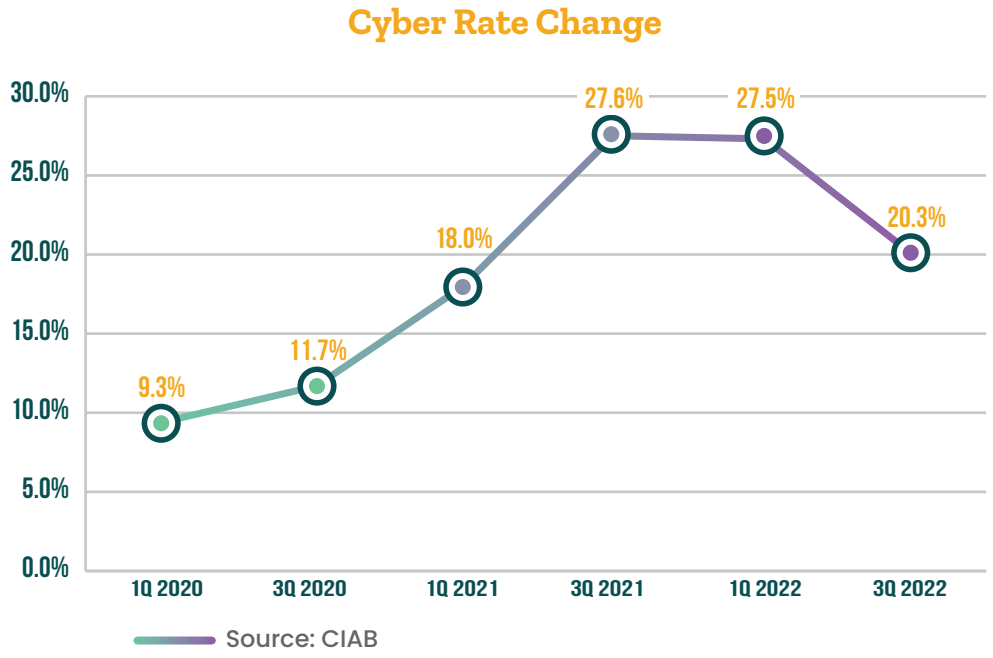
Cyber Liability Insurance

Cyber Liability Insurance

Increased threat vectors and growing attacker sophistication have continued to drive up both the frequency and severity of cyberattacks, resulting in a dramatic increase in cyber insurance claims and subsequent increase in rates.

According to industry data, some insureds saw as much as a 100% or even higher rate increase in 2022, depending on their specific digital exposures and loss-control measures.

In addition to elevated premiums, businesses have begun encountering coverage restrictions, further scrutiny from underwriters regarding cybersecurity practices, and exclusions for losses stemming from certain types of cyber incidents — namely, acts of cyberwarfare related to international conflicts and other prevalent cyberattack methods (e.g., ransomware).



Moving into 2023, we anticipate that difficult market conditions will make for an increasingly volatile and unpredictable cyber insurance marketplace. Policyholders who fail to adopt proper cybersecurity protocols or experience a rise in cyber losses should expect to face the steepest rate increases and strictest coverage limitations for the foreseeable future.

2023 PRICE PREDICTION
Cyber Insurance

OVERALL:
+25% TO +100%

Tips for Insurance Buyers

- Work with your insurance professionals to understand the different types of cyber coverage available and secure a policy that suits your unique needs. Start renewal conversations early.
- Take advantage of loss control services offered by insurance carriers to help strengthen your cybersecurity measures.
- Provide remote employees with adequate resources, support, and software to avoid cybersecurity concerns amid work-from-home or hybrid arrangements.
- Focus on employee training to prevent cybercrime from affecting your operations. Employees should be aware of the latest cyberthreats and ways to prevent them from occurring.
- Keep organizational technology secure by utilizing a virtual private network, installing antivirus software, implementing a firewall, restricting employees' administrative controls, and encrypting all sensitive data.
- Consider implementing cybersecurity controls such as multifactor authentication, endpoint detection and response solutions, network segregation and segmentation, remote desk protocol safeguards, end-of-life software management and email authentication technology.
- Store backups of critical data in a secure, offline location to minimize losses in the event of a ransomware attack.
- Update workplace software on a regular basis to ensure its effectiveness. Keep employees on a strict software update schedule and consider using a patch management system to assist with updates.
- Establish an effective, documented cyber incident response plan aimed at remaining operational and minimizing damages in the event of a data breach or cyberattack. Test this plan regularly by running through various scenarios with staff. Make updates to the plan as needed.
- Develop workplace policies that prioritize cybersecurity — including an internet usage policy, a remote work policy, a bring-your-own-device policy, and a data breach response policy.
- Be sure to consider potential nation-state threats and supply chain exposures when establishing your organization's cybersecurity policies and protocols.

Directors & Officers Liability Insurance

Directors and Officers (D&O) Liability Insurance

Although the last few years in the directors and officers liability (D&O) insurance segment were characterized by double-digit rate increases and lowered capacity, market conditions proved more favorable throughout 2022. This shift was the result of a range of factors, including new market entrants and fewer litigation concerns stemming from initial public offerings (IPOs) and special purpose acquisition companies (SPACs).

For publicly traded companies, rate increases and retentions moderated substantially — with many policyholders even enjoying rate decreases.

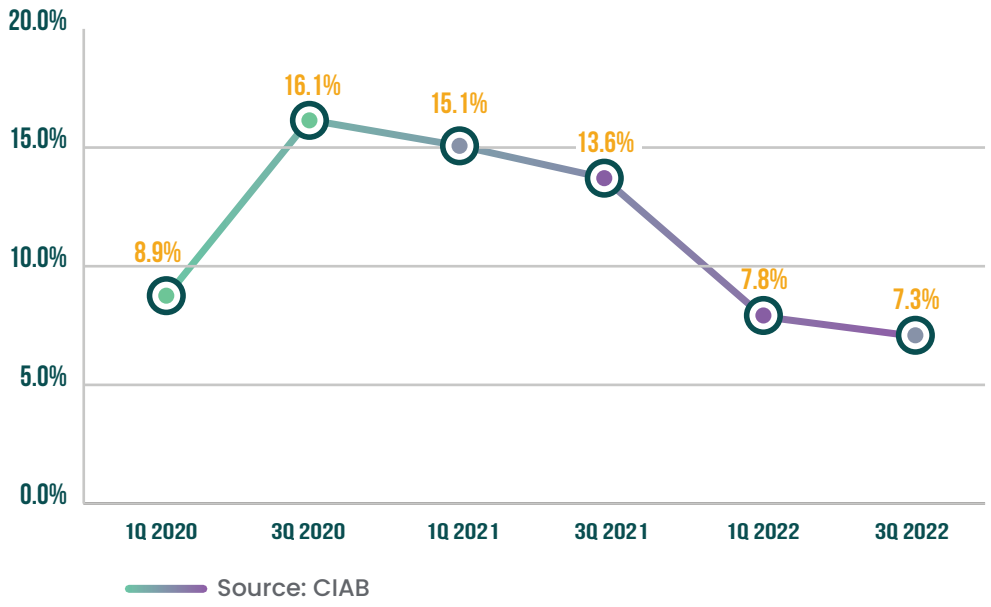
According to industry data, more than two-thirds (69%) of such insureds saw reduced renewal premiums in 2022, while 15% experienced flat rates. These findings are essentially the opposite of 2021's results, in which 70% of policyholders encountered increased renewal premiums.

While the D&O segment has also started to stabilize for private and nonprofit companies, these companies are still deemed higher risk by insurers than their publicly traded counterparts. As such, industry data showed that rates for these policyholders continued to increase in 2022, albeit at a decelerated pace compared to prior years.

Moving into 2023, we anticipate that favorable market conditions will continue, paving the way for further premium easing and potential rate decreases. There are, we should note, still some troubling trends for insureds to be aware of, including cybersecurity concerns; global and economic uncertainty; and environmental, social and governance (ESG) issues.

Additionally, it's important to note that policyholders operating within challenging industries, possessing poor loss history, or utilizing insufficient risk management measures could face ongoing rate increases and coverage difficulties.

Directors and Officers Rate Change



2023 PRICE PREDICTION

Director & Officers Insurance

PRIVATE/NONPROFIT ENTITIES:

-10% TO +7.5%

PUBLIC COMPANIES:

-15% TO +2.5%

Tips for Insurance Buyers

- Examine your D&O program structure and limits alongside your insurance advisor team to ensure they are appropriate and take into account market conditions and trends.
- Ensure your senior leaders follow safe financial practices (e.g., timely payments, educated investments, accurate documentation, and reasonable reimbursement procedures). Be transparent with stakeholders about your organization's economic state to avoid misrepresentation concerns.
- Make sure your senior leadership team is actively involved in monitoring your organization's unique cyber risks, implementing proper cybersecurity practices to help prevent potential attacks (especially in the realm of remote work arrangements), ensuring compliance with all applicable data security standards and establishing an effective cyber incident response plan to minimize any damages in the event of an attack.
- Implement measures to foster an inclusive workplace and ensure diverse representation within your senior leadership team.

Employment Practices Liability Insurance

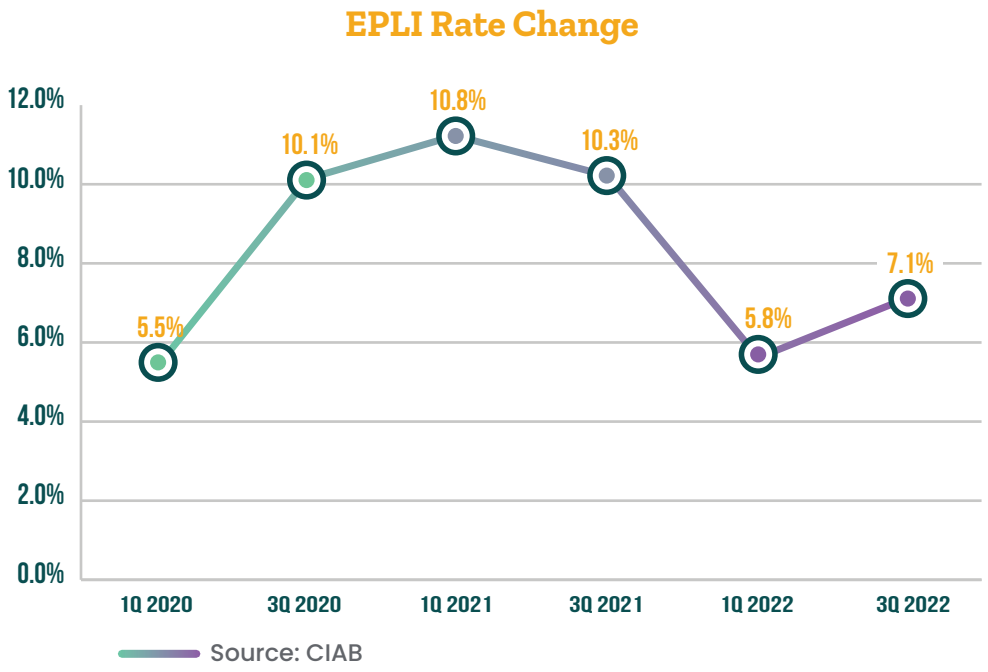
Employment Practices Liability (EPL) Insurance

Similar to most other lines of commercial coverage, the employment practices liability (EPL) insurance segment has been marked by hard market conditions in recent years — largely due to claim- and cost-driving trends such as nuclear verdicts, social inflation, greater regulatory scrutiny and labor market challenges.

As a result, the majority of policyholders saw rate increases in 2022. The size of these rate hikes varied based on sector, location, potential exposures, and prior losses. Most insureds with good claims history saw moderate rate jumps, ranging between 5% and 15%, according to industry data.

As new insurers emerge for excess layers of EPL coverage, market capacity has somewhat stabilized. However, a lack of competition among primary and lower-excess layers — especially for riskier industries (e.g., health care, retail, hospitality, and leisure) — has and will create ongoing capacity challenges for some insureds.

Looking ahead to 2023, first-time EPL policyholders may face capacity difficulties as insurers focus on maintaining profitability among their existing customers. As a whole, rate increases and coverage limitations will likely persist for high-risk insureds for the foreseeable future.



2023 PRICE PREDICTION
Employment Practices Insurance

OVERALL:
+10% TO +15%

Tips for Insurance Buyers

- Assess your employee handbook and related policies. Ensure you have all appropriate policies in place, including language on discrimination, harassment, and retaliation.
- Implement effective sexual harassment prevention measures (e.g., a zero-tolerance policy and a sexual harassment awareness program), reporting methods and response protocols.
- Promote diversity, acceptance, and inclusion in the workplace through staff education and training. Take any accusations or reports of discrimination seriously.
- Document all evaluations, employee complaints and situations that result in employee termination.
- Consult legal counsel for state-specific employee wage and hour guidance. Pay close attention to workplace issues that could lead to wage and hour complaints.
- Review any state-specific legislation related to marijuana legalization. Consider revising procedures related to conducting workplace drug tests for marijuana or basing employment decisions on an employee's marijuana usage, as these practices could potentially contribute to EPL claims.
- Evaluate the algorithms and data sets for any AI systems utilized within recruitment and hiring processes to prevent discriminatory employment decisions and ensure compliance with applicable federal and EEOC guidance.

Excess

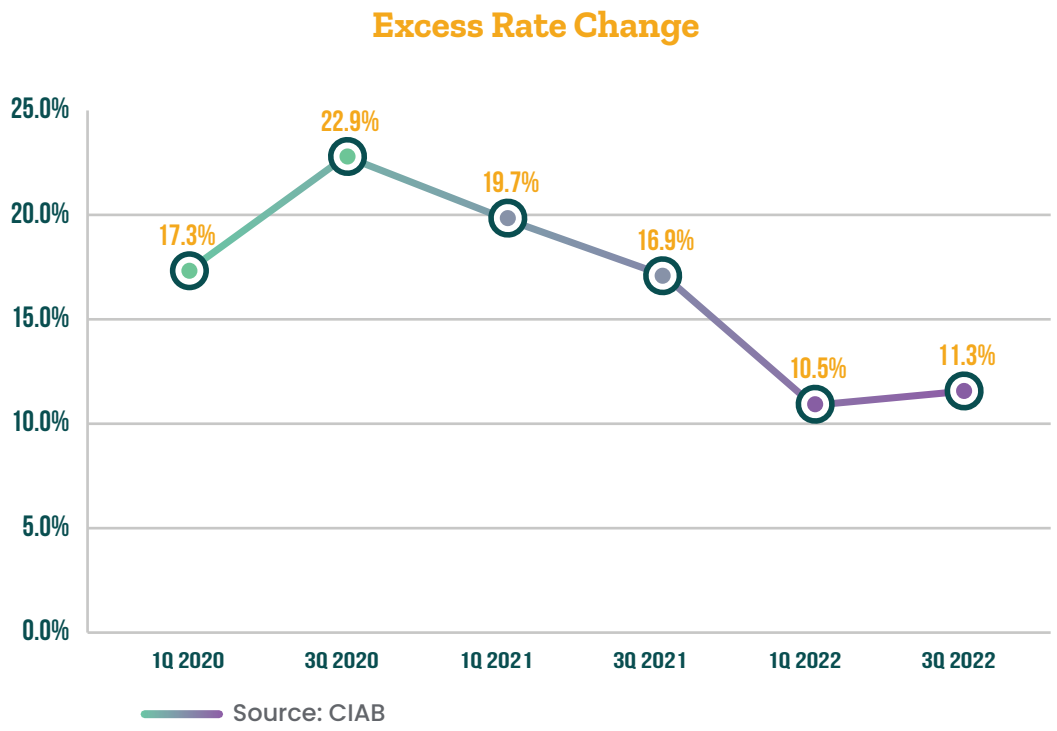
Excess

Staggering increases between 30 percent to 60 percent. That's what large and complex risks buying excess coverage saw at the start of the decade. Last year saw significant improvement on this front, thankfully, and the year ahead should see more of the same.

As a reminder, excess liability extends the limits of your existing insurance policy. It does not expand your coverage but critically offers a higher dollar limit to protect your business in case of a catastrophic claim.

We can blame those disproportionate, grossly punitive jury awards for driving most of the increases in rates. Meanwhile, losses among reinsurance companies, as well as years of underpricing, also have played a role in the rate spikes we saw earlier on.

While those trends haven't disappeared, there is good news to share: Competition is entering the excess market, which could help temper rate increases overall.



2023 PRICE PREDICTION

Excess

OVERALL:

+10% TO +30%

Tips for Insurance Buyers

- Consider a higher self-insured retention, or SIR.
- Work with your insurance broker to develop a detailed narrative of your risk management and loss controls to present to underwriters.

Moving Forward

It can sometimes seem as if the forces determining your insurance rates are beyond your control. But, as an insurance buyer, it's important to know how your premiums are calculated, what trends influence the market and what you can do to get the best price.

Your claims history — which you can control — has an enormous impact on whether your rates go up or down. That's where implementing a solid risk management plan will help steer your pricing in a more favorable direction, both now and in future renewal periods.

The following are five key components of a successful risk management strategy:

01 Pinpoint your exposures and cost drivers.

02 Identify the best loss control solutions to address your unique risks.

03 Create a solid business continuity plan to account for disasters and other unpredictable risks.

04 Build a company culture focused on safety.

05 Manage claims efficiently to keep costs down.

In addition to implementing the above risk management strategies, working alongside an experienced insurance broker is equally crucial. Qualified insurance professionals can help their clients analyze their business, understand their exposures, and establish a suite of customized insurance policies that act as a last line of defense against claims. A broker will also thoroughly explain your policies, notifying you of any additional considerations to keep in mind.

Remember, the insurance landscape is complex, and while the predictions found in this outlook are based on expert research, they are subject to change. As always, The Mahoney Group monitors the market closely throughout the year and will keep you informed of any changes that might affect your business.

For More Information

For more details regarding the information contained in this report, contact The Mahoney Group at 480-730-4920 or visit mahoneygroup.com.

In addition to helping you navigate the insurance market, The Mahoney Group has resources to assist in your risk management efforts. Business owners who proactively address risk, control losses, and manage exposures will be better prepared for changes in the market and will get the most out of each insurance dollar spent.