



HigginbothamTM

Insurance and Financial Services

Since 2018, the commercial insurance market in the United States has demonstrated persistent premium increases due to a hard insurance market.

WHAT IS A HARD INSURANCE MARKET?

A hard insurance market is a period of time in the insurance marketplace when the supply of insurance is decreased. Market hardening generally begins when insurance carriers take corrective actions to increase their profitability, such as implementing tighter underwriting guidelines, offering fewer coverage options and making their client base “healthy” by limiting new business writings and non-renewing current clients that are not profitable.

PAST HARD MARKETS

In the past four decades, the insurance industry has experienced three hard markets: 1985-1987, 2001-2004 and 2018-present. In 1985, a tort crisis arising from extensive liability lawsuits related to construction defect claims almost collapsed the U.S. insurance industry. In 2001, the tragic events of 9/11 triggered a hard insurance market.

Typically, hard markets are shorter in duration than soft markets. However, this has not been the case with the most recent hard market, which is expected to continue into 2025. Factors contributing to today’s hard market include heightened vehicle prices, increased medical expenses, low investment yields, social inflation, and increased construction costs.

WHAT STRATEGIES CAN HELP IN A HARD MARKET?

With the current market conditions, carriers will continue to non-renew policies, increase deductibles, lower coverage limits and add limitations and exclusions. This means that now is the time to prepare and adjust strategies with your insurance advisor.

RENEWAL TIMELINE

In a hard market, waiting until the last minute to begin the renewal process can limit your options. Since carriers may require a loss control visit before offering a renewal quote, your insurance broker should begin working on your renewal at least 120 days prior to the renewal date. You should also meet with your broker to discuss renewal strategies, including ways to improve your organization’s risk profile for carriers and underwriters.

LOOK OVER PAST CLAIMS

Review your company’s loss runs and claims history with your insurance advisor. If your business has experienced frequent claims, you’ll need to explain to underwriters what preventative measures you’ve taken to prevent similar claims in the future. If you’ve experienced a large claim, your broker will need to negotiate with underwriters to have it considered a “shock loss” and discounted from your overall loss ratio.

REVIEW RISK MANAGEMENT STRATEGIES WITH YOUR BROKER

To appear more attractive to underwriters, it’s important for businesses to prove an effective, well-documented risk management program.

CHECK YOUR EXPERIENCE MODIFIERS

Make sure to ask your insurance advisor if they have confirmed paid losses and audited premiums on your workers’ compensation experience modifier worksheet, since experience modifiers directly affect the cost of workers’ compensation insurance.

EXPLORE ALTERNATIVE OPTIONS

Talk to your insurance broker about exploring options other than a traditional insurance plan, such as a captive program. When capacity shrinks in the insurance marketplace, a captive may be an attractive alternative for financing risk.

THE IMPORTANCE OF RISK MANAGEMENT

Insurance is just one piece of the puzzle when it comes to protecting your business; risk management is also essential. By taking actions to lower your exposure to risk, you’re less likely to experience claims and hefty insurance rate increases. Examples of risk management strategies include:

SMALL CLAIMS

Frequent claims typically carry more weight than a single severe claim. In general, unless a claim is two to five times your deductible, it may be best to handle it out of pocket.

AUTOMOBILE SAFETY

Auto insurance claims are among the worst types of claims for insurance companies, so implementing strategies to

monitor your fleet and drivers can have a positive impact on your auto insurance premiums. Your insurance advisor will be able to offer tailored risk management strategies for your recruitment process, driver qualifications, employee training, vehicle operation guidelines, and driver policies.

MASTER SERVICE AGREEMENTS (MSAs)

When working with contractors and vendors, MSAs are just as important as certificates of insurance (COIs). Even if the COI indicates your business is an additional insured, a contract like an MSA needs to be in place so your company has legal recourse in the event that the other party breaches the agreement. In addition to your lawyer, work with your insurance broker to make sure an MSA includes the proper hold-harmless and indemnification wording.

HOW CAN HIGGINBOTHAM HELP IN THE SHOTCRETE INDUSTRY? BY SAVING YOU MONEY.

The first thing that comes to mind is auto insurance premiums: This is the number one concern for business owners in this ongoing hard insurance market, especially for those who have large fleets with extra heavy vehicles. We understand that it's affecting the profitability of the shotcrete industry due to the premium increases you've experienced, on the commercial auto line of business in particular.

There are many components utilized in the rating of a single commercial auto, including the gross weight of the vehicle, how far the vehicle is driven (radius), how many stops it makes in a day, five year loss history, and more — plus the rate filings available to the insurance company providing the coverage. These filings allow carriers to debit or credit their auto rates, and they can vary greatly from one carrier to the next. Any of these individual rating components can affect your auto rating and ultimately the premium you are being charged.

As insurance agents, it's our duty and responsibility to verify every single detail involved in the policies we sell our clients and prospective clients. More often than not, when reviewing prospective clients auto policies, we find errors which are producing higher rates and premiums for the insured.

To sum up, at Higginbotham we understand the critical nature of managing your business's risks, especially in today's hard insurance market. That's why we tailor our insurance programs to meet each client's unique needs and stand by those programs with our Day Two Services®, which provide proactive customer support through the life of each policy.

- **Risk Management:** Our team assesses your operations to pinpoint vulnerabilities and design a risk management program that supports your business goals, financial position, and risk tolerance.
- **Risk Technology:** We provide tools to proactively manage your exposures, access safety communications, analyze losses, and manage OSHA requirements.
- **Safety and Loss Control:** We help you implement safety measures, stay compliant, and enhance service efficiency from your insurance carrier.
- **Contract Review:** Our specialists review your contracts, MSAs, and agreements from a risk management and insurance perspective so you're covered for the liability you're assuming.
- **Claims Management:** Should you face a loss, our team will manage the claims process for you, advocating for your best interests every step of the way, so you can focus on resuming operations.

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