

# NAVIGATING THROUGH A HARD MARKET

Business owners everywhere have experienced the ups and downs of changing market conditions. Whether it's the cost of goods bought or sold or the buying pattern of consumers, the market in which businesses transact can fluctuate and be determined by a variety of external or internal factors. These basic economic elements ring true to many different industries, including the Insurance Market Place. Insurance Industry experts, from both the brokerage and company side, would consider our current cycle to be in a "Hard Market".

Simply put, this means insurance companies are not experiencing adequate profit levels. One of the main reasons for this Hard Market is that insurance companies are experiencing worsening loss ratios. Recent stats suggest that, as an industry average, if a company is taking in \$1 of premium, they are paying out \$1.10 in claims. Losses associated with water/flooding, cyber breaches, storm severity and a more litigious society in Canada are becoming more of a headache for insurance companies. As such, this has created a scenario that spells an increase in insurance premiums for consumers and a tougher underwriting process.

Historically, and under normal circumstances, the profits generated by an insurer are invested to keep them financially healthy. When the normal underwriting profits don't exist, the companies start underwriting for "cash". This means that underwriting rules are tightened and premiums are increased. The 'cash' that is now earned is used to bridge the profit shortfalls that are currently being experienced.

Further to this, the recent catastrophic losses that are being experienced all over Canada, North America and the Caribbean, have an effect on the hard market. Why would that matter, you might ask? In reality insurance policies are comprised of layers of insurance coverage from North American companies and can contain further layers of re-insurance to make up the balance of coverage. This extra layer is typically purchased outside of North America. For example, Underwriters in the UK have used Canada as a safe place to invest and write policies. With the recent major weather events occurring in our country, it is looked upon as a less safe option. This has a trickle down effect that affects the insurers in Canada and reiterates the tightening capacity issues. Even a disaster such as the recent hurricane that hit the Bahama's can create a displacement on the consumers in North America. Ultimately, this creates volatility in our market place and can cause frustration with consumers.

Not only does this volatility extend to the consumers, it also creates a little bit of panic for insurance brokers. Insurance companies are taking longer to provide quotes and their capacity for risks that normally would be easy to place, has also been hindered. This can lead to late renewals, higher premiums and increased frustration from customers and brokers alike.

So is there a light at the end of the tunnel? If the past is any indication, the simple answer is, yes, as this isn't the first time the industry has experienced market conditions like this. It likely won't be the last either. But what can a business do in order to navigate through the tough insurance landscape as currently presented? Our belief at Gillons is that it all starts with clarity. With proper representation, patience and an understanding of insurance cycles, we

have the tools, experience and market capability to keep your mind at ease during a hard market. Our industry can tend to be too reactive in times like these. Therefore, Gillons takes a holistic and proactive approach to our customer's insurance needs by providing options and advice to help businesses get through the Hard Market. It is a great opportunity for thorough reviews of your insurance needs and how we can keep your business looking good in the eyes of an insurance company, now and into the future. Risk management practices and loss mitigation are also at the forefront during a hard market. Insurance companies are much more likely to provide adequate coverage, at a reasonable price point, for businesses that are on the more proactive side. This is another area where Gillons sets itself apart from the competition. We not only look at the risks that your business faces now, we extrapolate what risks may present themselves over time, leading to a more prepared and focused insurance policy and risk management plan.