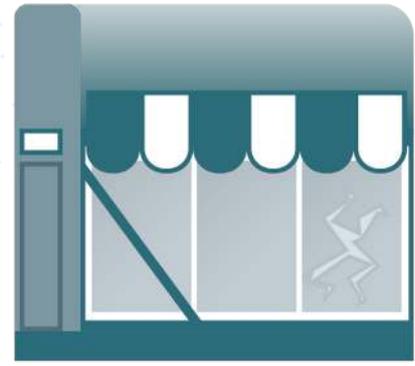


# 2021 Commercial Property Insurance Market Outlook

The commercial property market has steadily hardened in recent years, resulting in rate increases every quarter since Q3 2018. Unfortunately, these rate increases—as well as additional policy restrictions—are expected to continue in 2021. Policyholders who conduct high-risk operations with poor loss control practices or who are located in natural disaster-prone areas may encounter premium increases in excess of 50 per cent. Many insurers are also expected to withdraw capacity to reduce risk. As such, pricing could rise and make terms of policies more restrictive.



## Trends to Watch

- **Natural disasters**—In 2018, the UK battled with a weather front referred to as 'The Beast of the East'. As a result of severe weather, approximately £328 million in property insurance claims were filed in Q1 2018. Storms, wildfires and other natural disasters can wreak havoc upon businesses and, subsequently, the commercial property insurance market.
- **Civil unrest incidents**—Civil unrest can create unique challenges for business owners and their commercial properties. Namely, these incidents can leave businesses vulnerable to vandalism, stolen or damaged goods, and property damage. Civil unrest can also force establishments to temporarily close or alter business hours to ensure employee and customer safety, resulting in lost income. In the 2021 Allianz Risk Barometer global risk survey, 'political risks and violence' returned to the top 10 risks for the first time since 2018. Property owners who are not insured or do not have adequate cover should take the time to understand the Riot (Damages) Act 1886, which may help claimants receive compensation for losses.
- **COVID-19 and property cover**—The coronavirus pandemic has resulted in many commercial properties having to be shuttered and left vacant for extended periods. During subsequent lockdowns, non-essential businesses may have been left unattended. This could mean that issues related to things like freezing pipes, combustible materials or vandalism may have gone undetected for extended periods of time. As such, claims related to unoccupied premise conditions may become more frequent.

## Tips for Insurance Buyers

- Work with your insurance professionals well in advance of your renewal date. Being thorough and timely is vital to ensuring that your application is fully understood and evaluated adequately by underwriters.
- Be prepared to provide underwriters with extensive information about your property, such as alarm specifications, structure details and evidence of fixed wiring and electrical installation inspections.
- 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.
- Conduct a thorough inspection of both your commercial property and the surrounding area for specific risk management concerns. Implement additional mitigation measures as needed.
- Address insurer recommendations. Taking the appropriate steps to reduce your risks whenever possible can make your business more attractive to underwriters.

