State of the Market: Hotel and Lodging

A Steady Path Forward

2024 Outlook

BRP

Table of Contents

Introduction

After overcoming waves of highs and lows, the hotel and lodging industry looks well positioned to enter a period of stability, with entities ready to capitalize on opportunities for sustained growth. With inflation decelerating, fears of a recession receding, and supply growth muted, the overall outlook for the hotel sector is one of modest but consistent growth. In 2024, a tempered economic environment has accelerated improvements, and businesses are eager to take advantage of current conditions.

Inbound international travel should also increase, offsetting the modest erosion in domestic leisure demand that is expected to continue in 2024. Nevertheless, leisure demand should remain well above pre-pandemic norms. Business travel is also anticipated to improve, although it is increasingly clear that office occupancy levels will not return to pre-pandemic levels. For example, U.S. hotels reached 62.8% occupancy in early March 2024, exceeding 2022 levels and tracking close to 2019.[1] Hybrid work arrangements are becoming the new normal, so business travel is expected to be concentrated on midweek nights, leading to decreased activity on Monday and Thursday nights. In spite of these patterns, overall occupancy is forecasted to increase modestly over the next several years.

With inflationary concerns diminishing and possible interest rate reductions from the Federal Reserve in 2024, the investment market is showing increased signs of life. Compared to December 2023, businesses have reported a notable increase in lender interest headed into Q2 2024, along with modest improvements in interest rates and debt coverage ratios. What this signals is that interest rates have likely reached their peak, which provides a greater semblance of certainty moving forward. Though there is now more confidence in the economy, what is still unclear is the timing and pace of future rate reductions. Moreover, although recessionary fears have diminished, the outlook for the economy as a whole remains somewhat uncertain, exacerbated by concerns related to ongoing international conflicts and the unknowns of an election year. Thus, lenders and investors are expected to remain cautious as they navigate economic improvements.

Just as the hotel and lodging industry has found strategies to manage disruptors, so too has the insurance market. Throughout 2023, insurers adapted to global disruptors in ways that impacted capacity and pricing of coverage for different lines of coverage. In 2024, insurance outcomes will likely continue to vary greatly by line, geography, and loss history, with insurers continuing to demonstrate heightened underwriting discipline. As you prepare to navigate a shifting insurance landscape, working in partnership with BRP’s hotel and lodging experts to understand how changes in the market impact your insurance portfolio and balance sheet can help you create impactful strategies that secure your business’s long-term success so you can continue to provide clients memorable experiences.

Commercial Risk

2024

State of the Market 2024 Outlook

Summary

The commercial property and casualty (P&C) market continues to course correct in search of equilibrium. At this point, the challenges are well documented – the economy, weather events, geopolitical dynamics, nuclear verdicts – and throughout 2023, insurers across lines continued to respond and adapt to the realities at play, remaining disciplined in the underwriting process. In 2023, some lines remained hardened, others showed signs of moderation, and certain segments even softened.

Just as insurers find ways to adapt to a continuously changing world, so too do policy holders. When planning for the unknown, businesses are seeing that they can answer the call by making strategic, informed decisions regarding their insurance program design, investments in loss controls, and alternative risk transfer solutions. In 2024, the hotel and lodging industry will need to remain vigilant and adaptable to positively impact the results they can obtain from the insurance market.

Headed into 2024, what are insurers signaling to policy holders? Has underwriting discipline paid off and translated to improvements in loss ratios and overall performance? And how can buyers be strategic as they approach the market, contain the cost of risk, and find ways to recalibrate for long-term resiliency?

As you prepare to navigate a shifting insurance landscape, working in partnership with BRP's hotel and lodging experts to understand how changes in the market impact your insurance portfolio and balance sheet can help you create impactful strategies that secure your business's long-term success. In this market update, we will cover the forces reshaping the commercial P&C space, and how your organization can respond.

Market Drivers and Trends

In 2024, many familiar forces will continue to shape the commercial P&C market:

Weather events

Primary and secondary perils will keep placing persistent upward pressure on the commercial property insurance market. Weather events from small to large and everything in between led to significant property losses for insurance partners throughout 2023. In 2023, NOAA recorded a total of 25 separate billion-dollar weather and climate disasters in the United States alone, surpassing the previous record of 22 events in one year.[2] From 2021 to 2023, insured global losses driven by weather events surpassed the $100 billion mark,[3] which is indicative of a new normal.[4] Additionally, concurrent and interconnected weather events are becoming more commonplace, with the Maui wildfires and Hurricane Dora serving as just one example of this phenomenon in H2 2023.[5]

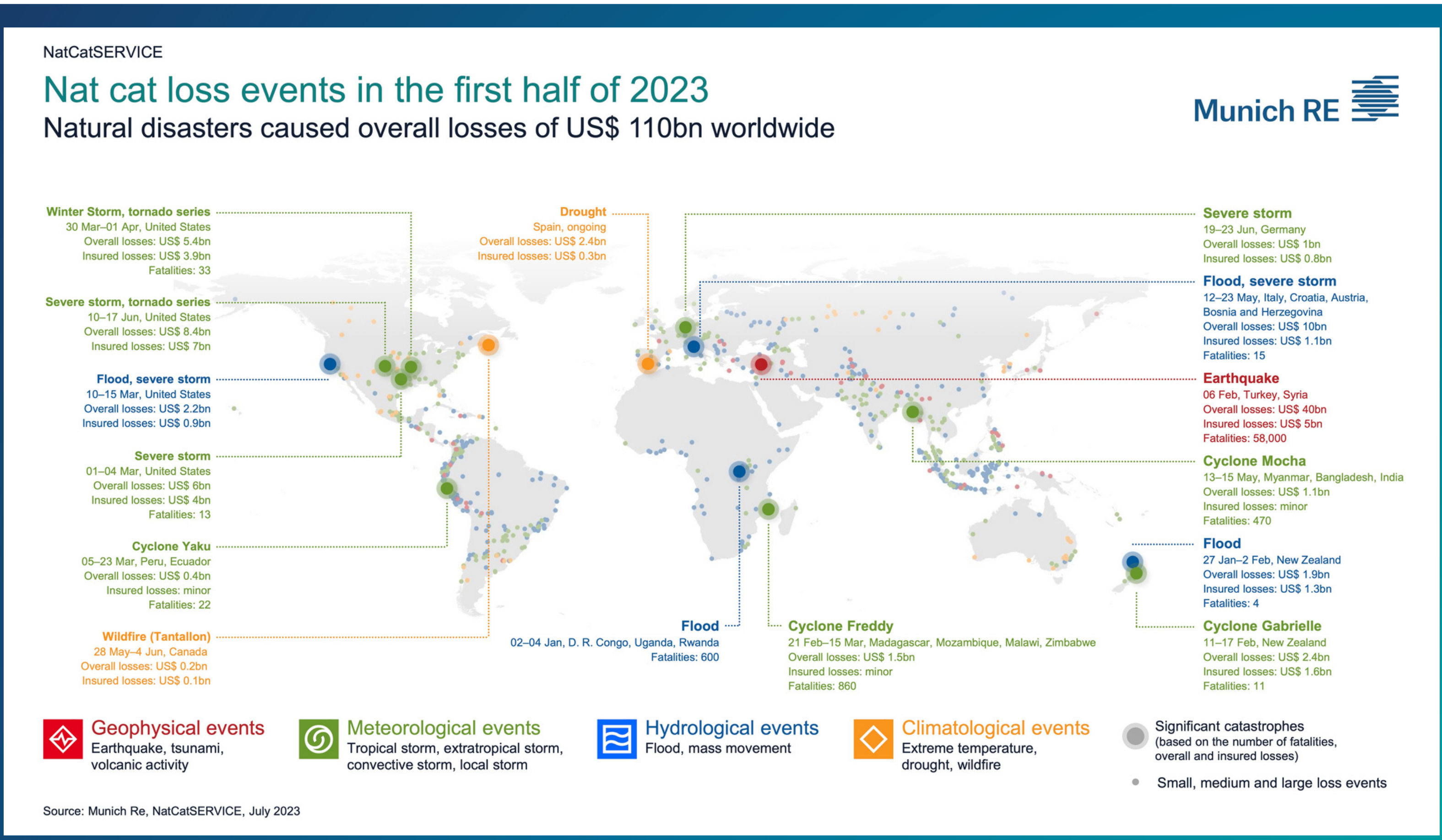


Image source: Munich Re[6]

Social inflation and nuclear verdicts

Social inflation describes the rising cost of insurance claims as a result of increased litigation, plaintiff-friendly legal decisions, and changing cultural norms. Nuclear verdicts are when a jury provides an award in a civil liability case that's over $10 million. In a litigious society, nuclear verdicts have become increasingly commonplace, and the new normal. Juries continue to reward massive verdicts in civil liability cases, and insurance partners that cover these types of claims feel the impact. Nuclear verdicts are largely responsible for insurance claims costs increasing above general economic inflation and beyond what insurance partners could have anticipated five to ten years ago, leading to decreased capacity, increased rates, and broadened underwriting scrutiny. With a continued backlog of litigation due to court closures from COVID-19 and greater reinsurance scrutiny for casualty lines, these trends will keep impacting liability capacity in 2024.

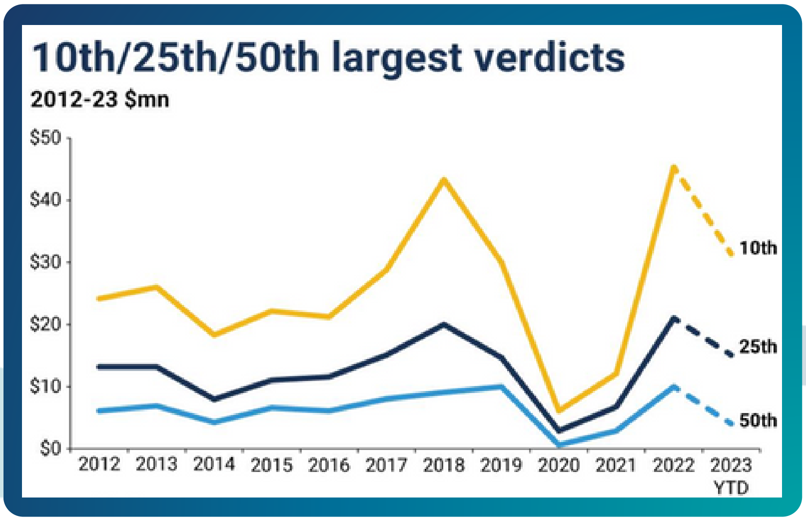


Image source: The Insurer [7]

Economy

throughout 2023? The general sentiment certainly seems to be improving, with most business economists indicating that the U.S. could avoid a recession in 2024.[8] Buoyed by steady economic growth, easing inflation, and low unemployment rates, the U.S. economy has so far defied recessionary expectations, though slowing economic growth remains concerning.

Many experts also predict the rate of inflation will slow in 2024, with the Federal Reserve possibly cutting interest rates at some point during the year.[9] For insurance companies, slowing inflation could provide a respite from ballooning claims costs. Ultimately, everyone should remain cautious and closely monitor economic performance throughout the year for any further developments.

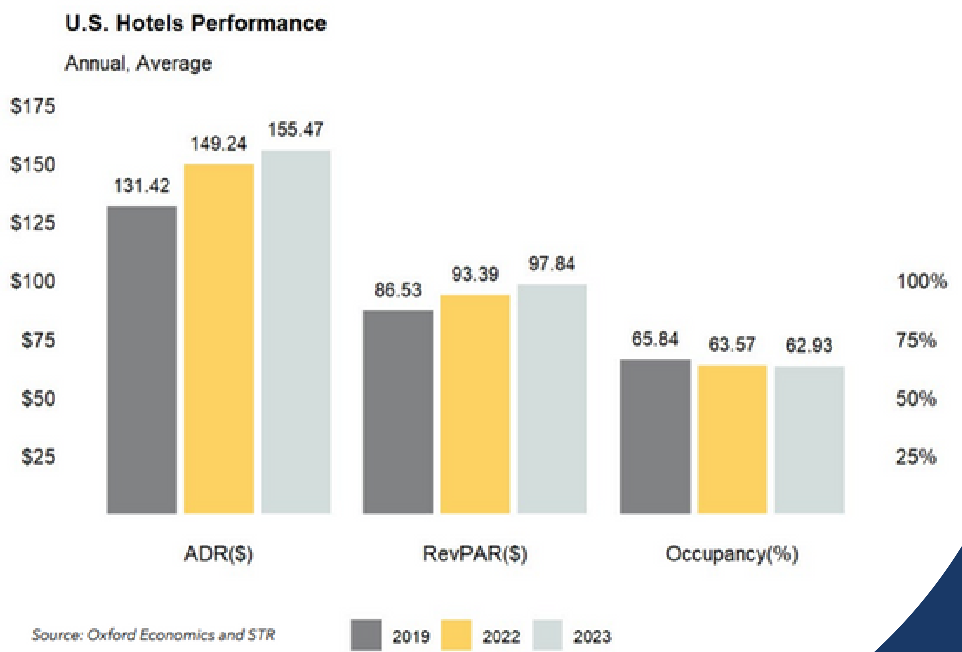


Image Source: The American Hotel & Lodging Association [10]

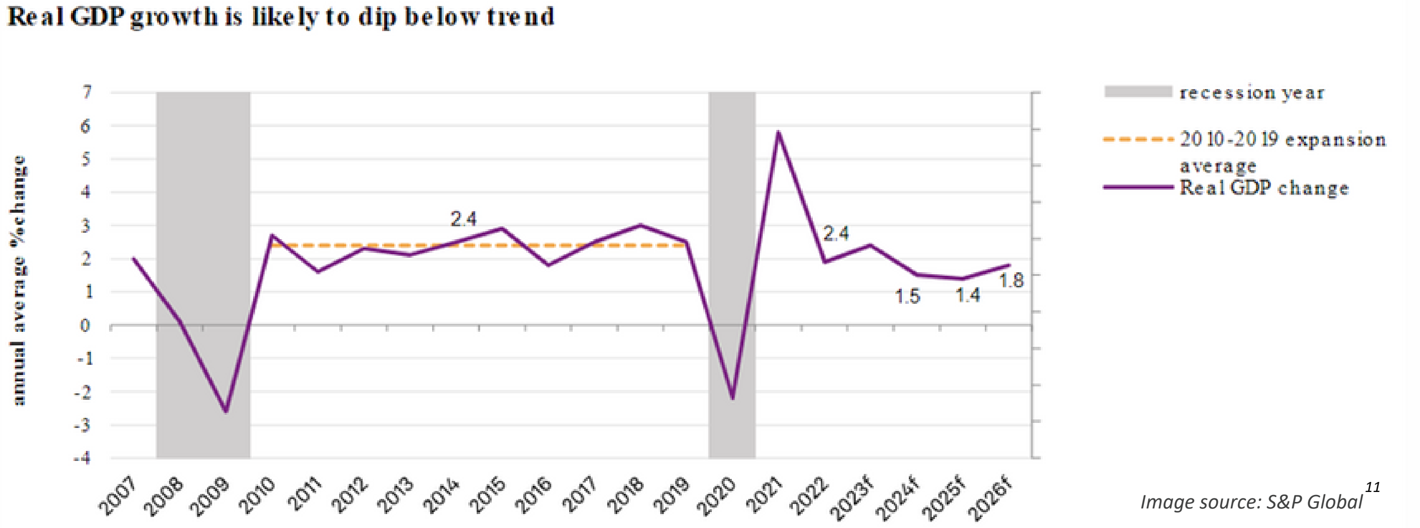


Image source: S&P Global[11]

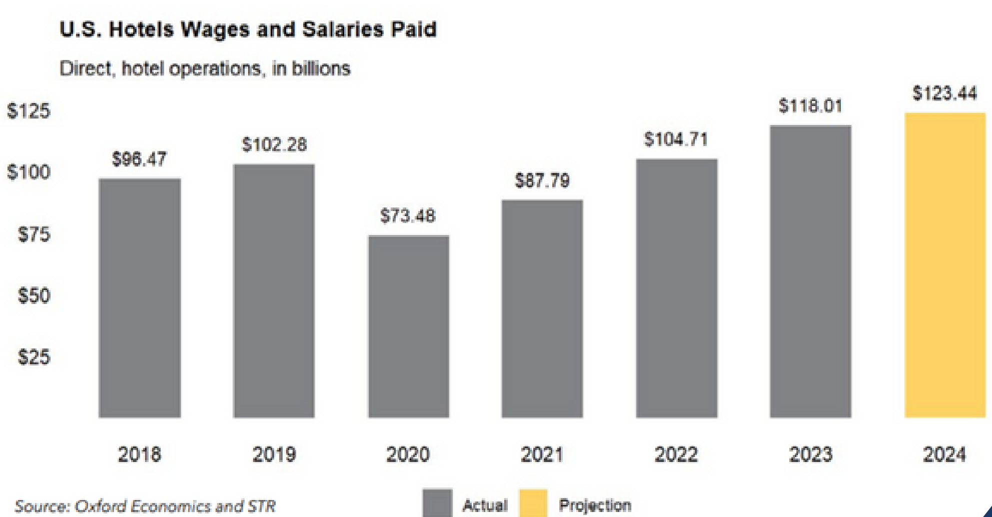
Geopolitical dynamics

Political violence is on the rise, with Verisk finding that at the start of 2023, about 100 countries were considered at high or extreme risk of civil unrest – a five-year high.[12] The Russia-Ukraine conflict shows no signs of ending any time soon, and unfortunately, global conflicts are increasing as evidenced by the greater instability that arose in the Middle East in the wake of Hamas' attack on Israel on October 7, 2023. Additionally, elevated trade tensions between China and the United States also have negative implications for economic growth.[13] Geopolitical dynamics have a direct impact on supply chain stability, affecting the pricing and availability of critical commodities from food to fuel, precious minerals, and beyond. 2024 is also a presidential election year in the United States, and a potential change in administration could lead to regulatory changes that impact the commercial risk and insurance space.

Labor Shortages

In 2024, labor shortages, driven by changing attitudes about work, remain as one of the greater challenges in the hotel and lodging industry. Employees want higher wages, greater work-life balance, opportunities for professional development, and improvements in workplace culture. As an example, through 2023, strikes in the hotel industry made headlines, with workers demanding better working conditions. It is still very much an employee's market across the hotel and lodging industry, for all establishment types. In 2024, labor shortages will continue to be one of the greatest operational challenges impacting hotels.

Because of a shortage of qualified individuals for openings, companies have found that they sometimes have to compromise on their standards and bring on the wrong talent, leading to claims scenarios. Organizations that want to attract and retain the right talent need to consider the role of their employee benefits strategy in creating an attractive workplace culture.



The American Hotel & Lodging Association[14]

Supply chains

The impact supply chain issues have had on all businesses, including insurers, is well documented. Fortunately, supply chains have mostly normalized in 2023 after years of persistent disruptions, though unpredictability may well be the new normal. Trade protectionism, conflict, labor strikes, and weather events will continue to impact the viability of global supply chains in 2024. Though supply chains might now be more stable, many insurers are still catching up with increased claims costs that stemmed from supply chain snags in the last few years, and it will take more time before newfound normalization translates to decreased rate pressure for property lines.

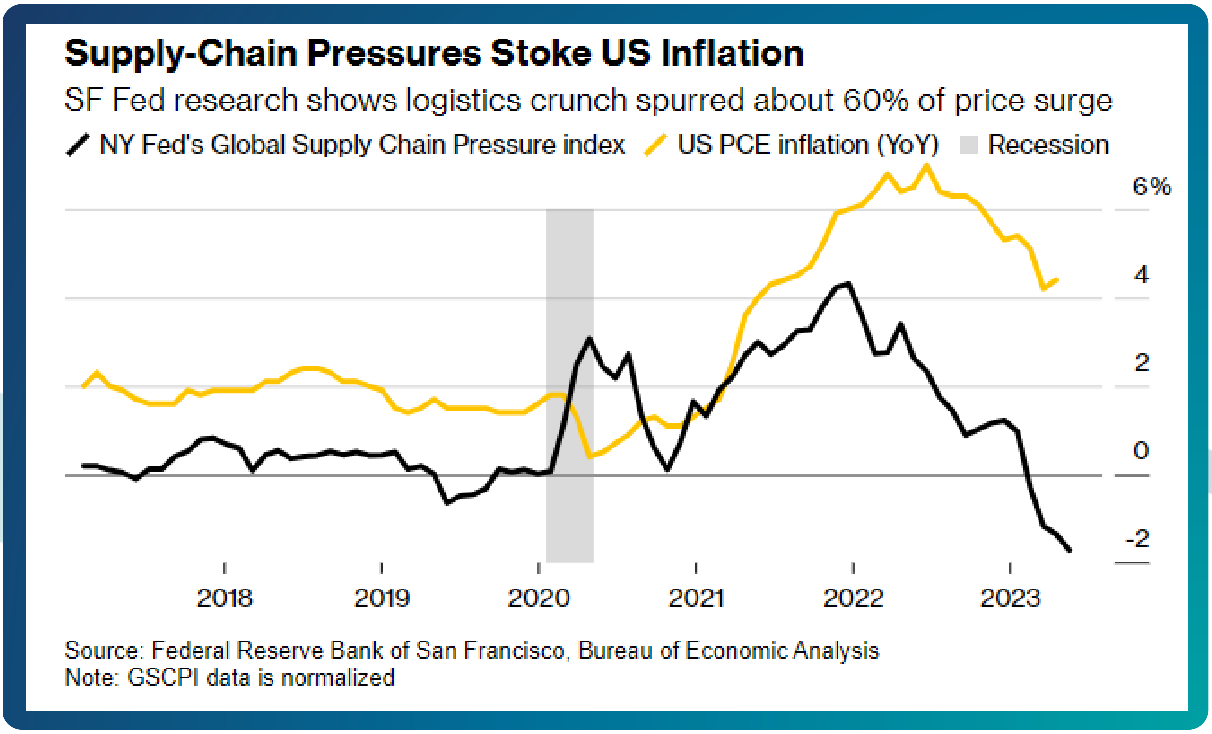


Image source: Bloomberg[15]

Artificial Intelligence

In 2023, insurers steadily increased their adoption of artificial intelligence (AI) and machine learning solutions, with the global AI insurance market size estimated to be $6.11 billion.[16] In 2024, AI's role within the insurance industry is likely to grow as insurance partners look to cutting edge solutions that can improve the underwriting process, risk modeling accuracy, operational efficiency, and overall client experience. With insurers' adoption of AI solutions still in its more nascent stages, the effect on rates for clients is yet to be seen. As we collectively charter the unknown territory of AI, any organization that wants to explore the benefits of these technologies should also be aware of potential regulatory, cyber, and governance risks.

Alternative risk solutions

Because of the heightened challenges of the commercial P&C environment, more organizations have turned to alternative risk solutions as a means to control their risk and insurance spend and to find capacity that may not otherwise be available for more difficult to place risks. 2023 was the third consecutive year in which captive formations outpaced closures.[17] Though the captive market has grown, it has not been market shifting. Parametric solutions have also seen increased uptake throughout 2023 as a supplement to traditional coverage, especially in more difficult risk classes and for niche use cases.

Reinsurance Renewals - A Close Up

While reinsurance renewals in 2023 sent shockwaves through the insurance industry due to steep increases, delays, and constrained capacity, 2024's January renewals were markedly different. Market correction and improved results can be attributed to greater underwriting discipline, easing capacity pressures, and favorable capital conditions. This is how the most recent reinsurance renewals impacted the U.S. market.

Top 20 global reinsurers' operating performance is improving

(%)	2018	2019	2020	2021	2022	2023f	2024f
Net combined ratio	100.6	100.7	104.8	96.5	96.0	92-96	92-96
(Favorable)/unfavorable reserve developments	(5.0)	(1.5)	(2.0)	(2.9)	(1.7)	(1)-(2)	(1)-(2)
Natural catastrophe losses' impact on the combined ratio	9.7	7.4	6.3	9.5	9.2	8-10	8-10
Accident-year combined ratio excluding natural catastrophe losses and reserve developments, and pandemic losses	95.9	94.8	91.9	89.5	88.5	86-87	86-87
Return on equity*	2.9	8.8	2.0	9.2	2.9	9-12	9-12

Note: The top 20 global reinsurers are Arch, Ascot, Aspen, AXIS, China Re, Convex, Everest, Fairfax, Fidelis, Hannover Re, Hiscox, Lancashire, Lloyd's, Markel, Munich Re, PartnerRe, RenaissanceRe, SCOR, Sirius, and Swiss Re. *Returns on equity in 2023 and 2024 will depend on investment performance. f--Forecast; based on GAAP and IFRS 4. Source: S&P Global Ratings.

Image source: S&P Global [18]

Property

For property reinsurance, there now seems to be a balance between supply and demand. It appears that the course correction and chaos that ensued within the property reinsurance market throughout 2023 led to realignment and stabilization for 2024. Rate increases were minimal or flat for insurers without exposures to natural disasters, though there were notable variations in rates informed by loss experience. In light of persistent, heightened loss activity due to frequent weather events, reinsurers continued to demonstrate a keen interest in specific data that paints an accurate picture of insurers' portfolio dynamics.

Additionally, in this renewal season, capacity was restricted for lower layers, while higher layers saw more competitive pricing. Amidst the order that characterized property reinsurance renewals, it is important to note that stability does not equate rate reversal. Reinsurers are simply becoming more accustomed to a new baseline of losses, given that 2023 was yet another year where natural catastrophe losses in the U.S. surpassed $100 billion. The current state of equilibrium with property reinsurance renewals could be a sign that the hardened property insurance cycle is at an inflection point wherein the difficulties of recent years have reached their peak.

Casualty

Leading up to this year's renewal season, there was apprehension that casualty renewals would be challenging. This is because reinsurers demonstrated growing concerns regarding loss inflation and rate adequacy against the backdrop of litigation trends in the U.S. These fears did not materialize into reality, as there was sufficient capacity and renewal rates remained stable. However, casualty lines are no longer as attractive to reinsurers as they once were because of social inflation and nuclear verdict trends.

As a result of diminishing risk appetite for litigation exposures, primary casualty insurers, especially within U.S. markets, experienced greater scrutiny in their portfolios. Reinsurers favored buyers who provided clear data and clear insights to address concerns over adverse loss patterns. Though the January 2024 reinsurance renewal season went better than expected for casualty lines, reinsurers signaled increased signs of caution for 2024.

Reinsurers' ability to earn cost of capital is improving

Reinsurers' weighted average cost of capital versus return on capital:

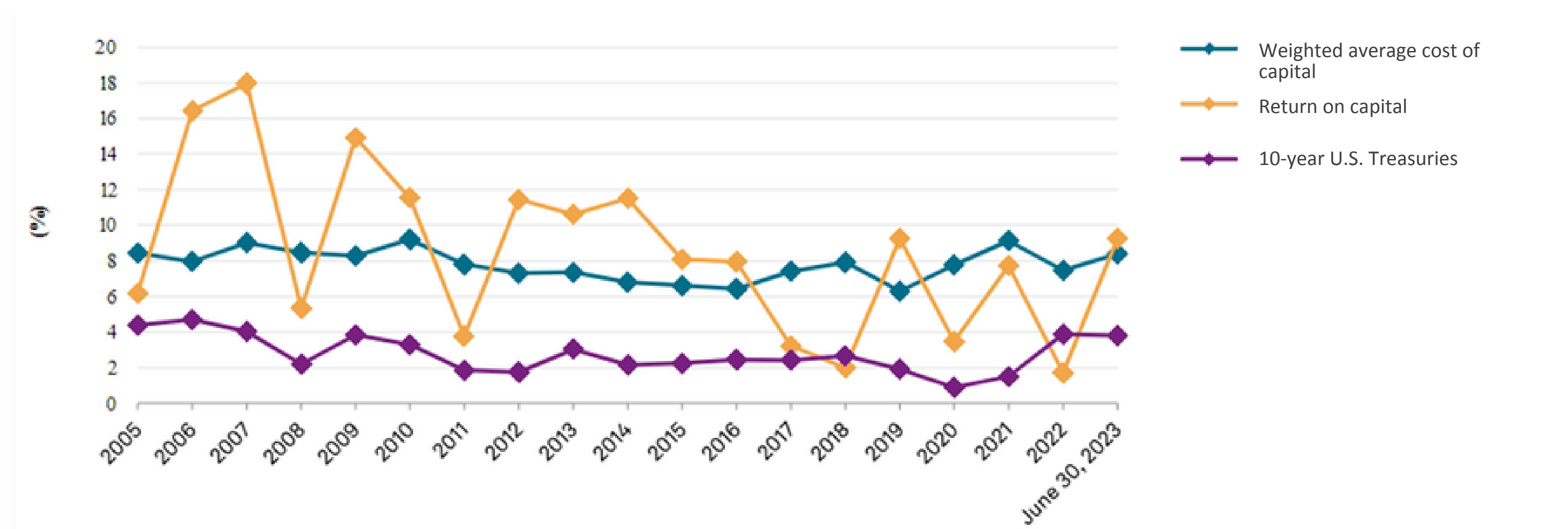


Image source: S&P Global [19]

Commercial P&C Overview

The commercial P&C market continues to send mixed signals, with some lines performing favorably, and others remaining challenged. At the offset of 2024, significant bifurcation characterizes the rates and results policy holders can expect across lines in the commercial P&C market, creating what can be described as a tale of two markets.

On one end of the spectrum, accounts with loss history, a lack of loss controls, and in disaster prone areas are seeing much greater increases and, in some cases, encountering difficulties finding coverage. For difficult to place risks where insurers are reluctant to deploy full capacity, policy holders are pushed to build up the coverage they need with shared programs and alternative risk solutions. On the other end of the spectrum, best-in-class organizations with moderate exposures are experiencing fewer hurdles in the market. Policy holders that provide specific evidence to underwriters of how loss controls and their operational structure both reduce the likelihood of a loss and improve their ability to rebound from a claim will see much better results.

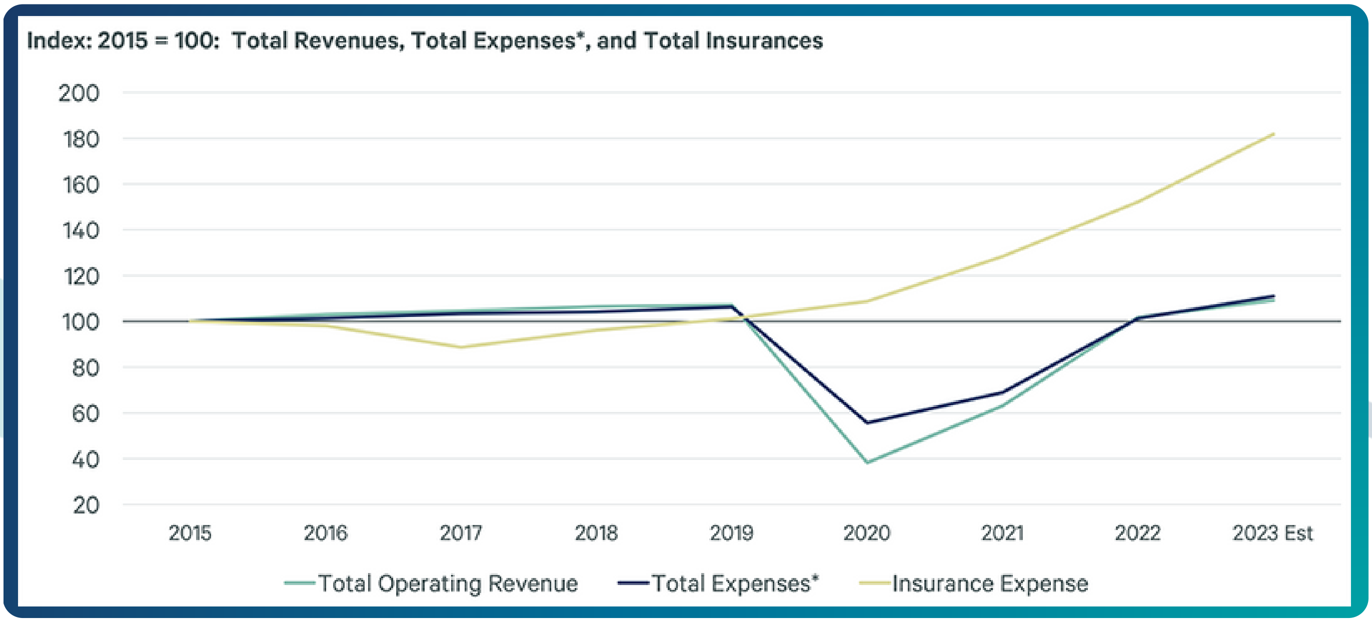


Image source: CBRE[20]

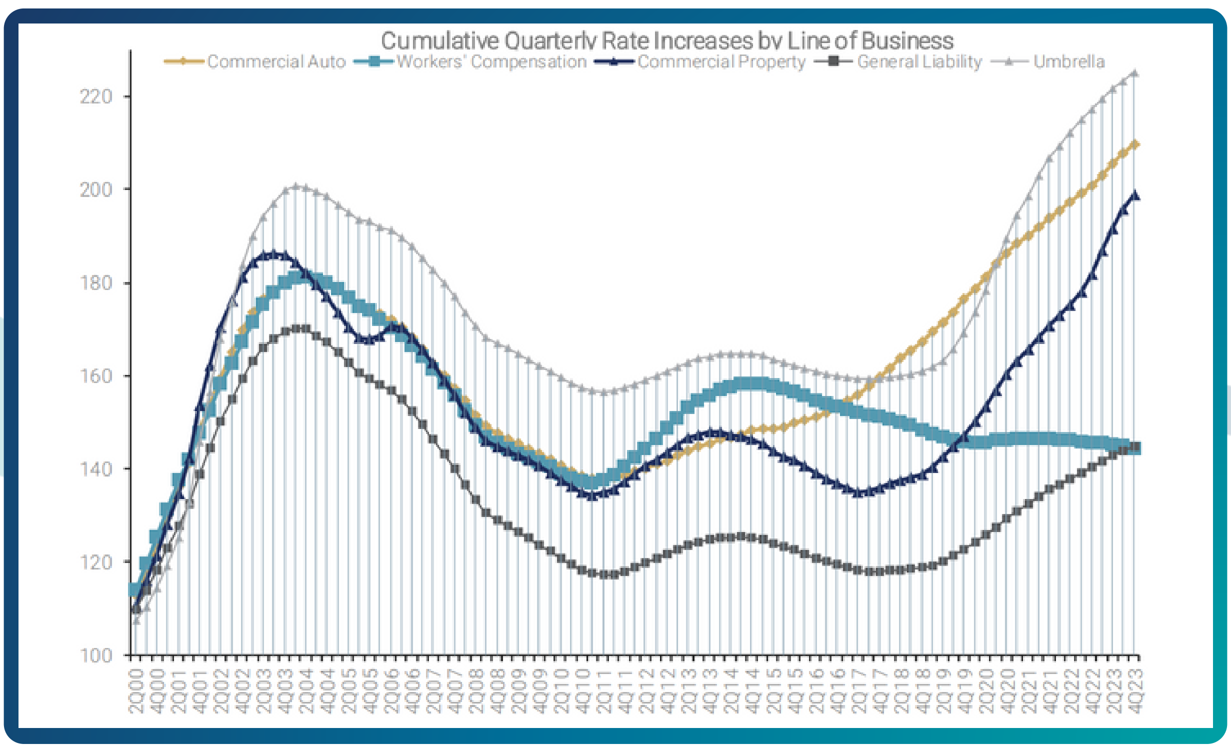


Image source: CIAB[21]

Property

Rate Trend: -10% to +25%*

The commercial property insurance market remains hardened, with insurers playing a seemingly never-ending game of catch up with years of huge losses and unrelenting weather events. Some insureds are seeing back-to-back double-digit increases, with geography, asset class, and loss history leading to great variance in the rates and availability of coverage. Construction type, age, distance to the coast, and loss history are the main drivers for rate determination in 2024. High-hazard risks such as coastal portfolios with tough loss history will experience the greatest challenges and rate increases. Strong portfolios of resilient, upgraded properties will fare much better and see rate relief this in 2024.

Though repair and replacement costs are becoming more predictable with the gradual re-stabilization of supply chains and cooling inflation, accurate valuations will remain a focal point for insurance partners in the underwriting process. Primary insurance partners will focus on valuations to protect their loss ratios and obtain optimal reinsurance rates.

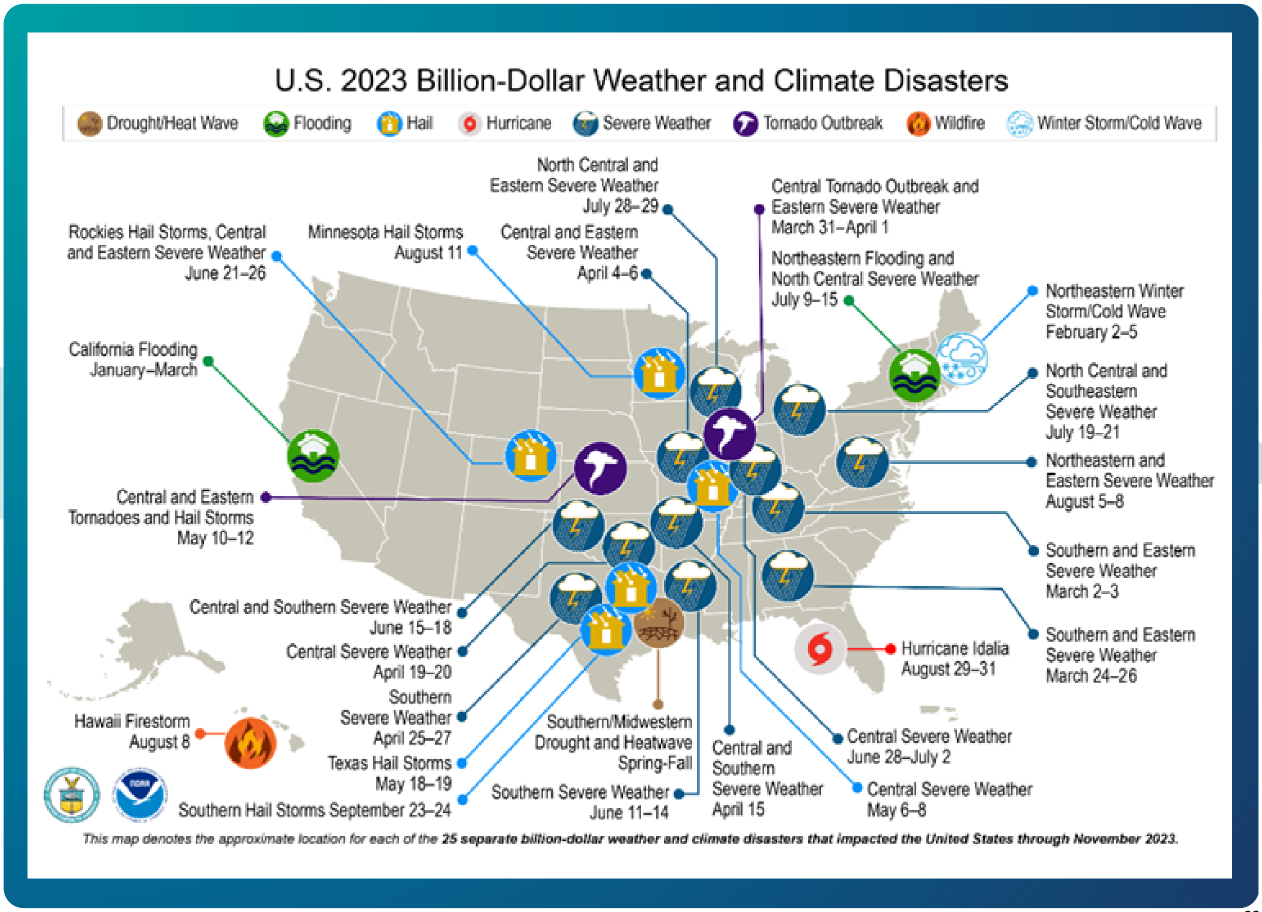


Image source: NOAA[22]

Beyond large-scale, primary perils like hurricanes, in 2023 interconnected, concurrent weather events and "secondary" perils, such as convective storms, floods, and freezes had a heightened impact on loss patterns. For example, in the U.S., severe thunderstorms caused $35 billion in losses the first half of 2023.[23] With secondary perils being the primary driver for losses in H1 2023, these types of weather events will likely carry more weight from an underwriting perspective in 2024.

Partnering with a BRP advisor can help you find ways to harden your property and improve how underwriters perceive your organization, allowing you to achieve better results. And for more difficult to place risks, BRP advisors will collaborate with you to find alternative risk solutions that help protect your business property from weather events.

General Liability

Rate Trend: -5% to +10%*

Having ushered in a new normal of large losses, social inflation and nuclear verdicts remain top of mind for general liability insurance partners. General liability is seeing clear bifurcation driven by claims history and the loss controls that the organization in question has in place. Generally, organizations that interface with members of the general public in their regular course of business such as hotels are likelier to have greater claims exposure.

Claims scenarios that originate due to allegations of wrongdoing from members of the general public leave businesses and insurers more vulnerable to the pitfalls of third-party litigation funding, social inflation, and nuclear verdicts. In comparison, when organizations engage with one another over the formal course of business, there may still be claims, but the boundaries of a loss are likely to be better defined by contractual obligations. Because the hotel and lodging industry serves the public, many businesses in this space have experienced challenges with their general liability coverage.

As an industry with heightened general liability exposures, working in partnership with a BRP advisor can help you build incident response plans, claims mitigation procedures, and organizational policies that speak to a culture of safety. This helps you proactively address potential underwriting concerns and obtain improved rates.

Commercial Auto

Rate Trend: -5% to +50%*

Commercial auto has been at the front and center of conversations regarding social inflation, third-party litigation funding, and nuclear verdicts. In 2024, it is one of the most challenging lines for the hotel and lodging industry, especially for businesses with operations in Florida, California, Texas, and New York. Beyond these driving forces, many of the entrenched trends affecting the commercial auto market remain, with high repair costs, inexperienced drivers, growing medical expenses, distracted driving, and crime shaping loss patterns. Given that this is a challenging line, there is not much new capacity in this space, which means more rate increases. Fleet size, exposure class, safety control, and loss history will be the greatest determinants for rate and capacity outcomes.

Tap into the power of telematics solutions to help control your insurance spend. Working with your BRP advisor can help you maximize the value and insights that telematics solutions provide, allowing you to best represent your risk profile to insurance partners and obtain better rates in a challenging rate environment.

Workers' Compensation

Rate Trend: -1% to -9%*

Workers' compensation remains a bastion of relief for insureds, with renewals trending flat, or even seeing decreases in most states. In some states like Florida, the hospitality and lodging industry is seeing rate decreases average -15%. Flat dividends are hard to find while sliding scale dividends, that reward insureds for good performance are the best available option. With workers' compensation, claims tend to have a longer tail, so it might take some years before insureds see what (if any) impact trends, like medical cost inflation, have on this line.

To obtain optimal results both now and in the future, connect with your BRP advisor for guidance about how to build effective strategies and safety programs that protect your workforce from harm's way.

Directors and Officers (D&O) Liability

Rate Trend: -10% to +10%*

The public D&O market continues to soften. New entrants in the marketplace and a decrease in IPOs and SPACs throughout 2023 have led to competition amongst carriers and created abundant capacity. Because of these conditions, renewals have been mostly flat, or have even steep decreases in some instances. The public D&O market is also seeing parametric solutions enter the space. Companies that went public or de-SPAC'ed from 2019 to 2021 are seeing the greatest decreases (20% to 30%) – these were the entities that experienced the highest rate increases in the last hard D&O market. Companies that have been public for longer are still seeing decreases, though at smaller levels (15% to 20%).

The overlap between D&O and cybersecurity only keeps growing. In July 2023, the SEC adopted new requirements for companies to address cybersecurity risks which increase the requirements and expertise of cybersecurity for boards of directors.[24] These new rules have two main components. Firstly, all U.S.-listed companies must disclose material cybersecurity incidents within four business days of determining that a cybersecurity incident is material. Materiality has not yet been defined by the SEC. Secondly, companies must disclose their cybersecurity risk management, strategy, and governance on an annual basis. In 2024, the full ramifications of this new rule should become clearer.

The private D&O market is also experiencing softening, though at a less drastic rate than on the public side. However, it is important to note that bifurcation is shaping rate trends. Established private companies are more likely to experience rate decreases, while debt heavy, pre-revenue startup businesses are seeing rate increases, lower limits, greater restrictions, and heightened underwriting scrutiny. For the latter cases, the uncertain economic environment paired with the closure of Silicon Valley Bank and other financial institutions has led to significant financial hurdles and has also impacted their outcomes in the private D&O market. Much like with public D&O, on the private side the gap between management liability and cyber liability is becoming narrower, with cybersecurity increasingly becoming a private D&O issue. In 2024, this trend is likely to continue.

To ensure that your board members and leaders know how to meet growing expectations regarding how they handle cybersecurity in tandem with other responsibilities, partner with BRP's experts. With Centers of Excellence dedicated to both cyber and management liability, our leaders collaborate with one another to help you understand the intersections of board and cyber risk so that you are able to implement comprehensive solutions and meet your responsibilities.

Employment Practices Liability (EPL)

Rate Trend: -10% to +10%*

Rates in the EPL market continue to renormalize from COVID-19 rate changes, with renewals currently looking flat or seeing minimal increases. More market entrants in the EPL market in 2023 created greater capacity, and competition amongst insurers translates to improved rates for policy holders. Underwriters continue to pay close attention to loss history, and also if a company employs workers with employee-friendly laws and regulations. For underwriters, companies with employees in California, New York, Florida, and Illinois raise red flags, with some EPL insurers now introducing coverage limitations and exclusionary language for claims arising from “problem” states.

There are new workplace protections for expecting mothers related to pregnancy, childbirth, and related medical conditions under the Pregnant Workers Fairness Act, which went into effect in 2023.[25] At a state level, in H2 2023 more states legalized medical marijuana use and other states passed laws that provide off-duty protections for workers.[26]

We recommend keeping a pulse on how changing rules and regulations regarding statutory protections for legal, off-duty medical and recreational marijuana use impact workplace policies. A BRP advisor can help your organization avoid EPL claims and capitalize on an improving rate environment by providing guidance about how to remain compliant and keeping you abreast of evolving employment laws and regulations.

Fiduciary Liability

Rate Trend: Flat*

The fiduciary liability market has evolved quite a bit as a result of a changing claims landscape. Over the past few years, this line saw a steady uptick in excessive fee litigation, leading to slightly higher rates and tighter coverage restrictions. Fortunately, at the close of 2023, excessive fee claim litigation cooled significantly.[27] Additionally, new entrants and increased competition in 2023 have led to market softening at the start of 2024. However, underwriters will likely remain focused on discovering what a policy holder’s plan management protocols entail.

To reduce the likelihood of a claim, partner with a BRP advisor for recommendations about how you can be proactive in properly documenting any decisions and protocols regarding plan management – today’s actions can prevent claims in the future.

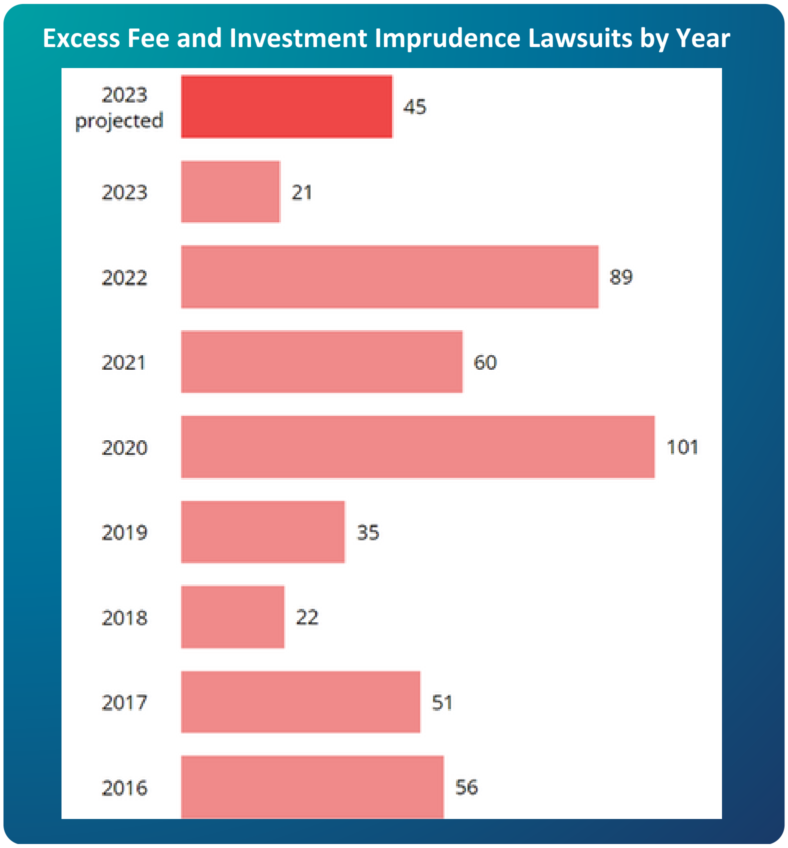


Image source: Plan Sponsor[28]

Cyber Liability

Rate Trend: -10% to +10%*

In 2024, the cyber liability market is coming off a year of rate stabilization, with insurers eager to retain existing business. New market entrants eager to write new business have created greater competition, which creates a better rate environment for buyers. Excess placements and rates also recently became less challenging throughout 2023. Looking ahead, the security controls and policies companies have in place will continue to heavily influence underwriting decisions regarding the pricing, terms, and conditions of coverage.

In 2023 there was an uptick in ransomware attacks of 95 percent year over year.[29] Moving forward, a differing trend to keep in mind is that attackers now seem keener on targeting and harvesting data to extract its value versus solely focusing on collecting ransom funds. Data harvesting can easily go unnoticed if there is no immediate ransom demand. 2023 was also the year of AI, and as a newer, less explored technology, in 2024 organizations will need to monitor how developments with AI shape threat vectors and the regulatory environment.

Increase in Victims of Ransomware Attacks - Over Time by Quarter

Image source: Corvus Insurance[30]

In the regulatory landscape, the SEC finalized new rules that increase public companies' duties around cybersecurity, including a requirement for all public companies to disclose cybersecurity breaches within four business days of determining that a cybersecurity incident is material. Throughout 2023, several other cybersecurity laws and regulations come into effect at both state and federal levels, signaling that organizations should focus on investing in strong cross functional processes to meet regulatory obligations.

Organizations that want to bolster their approach to cybersecurity, regulatory compliance, and cyber insurance should partner with the BRP Cyber Center of Excellence. Our experts can provide resources and help you devise a plan of action to anticipate and meet the demands of an evolving cyber landscape.

Umbrella Liability

Rate Trend: -10% to +30%*

Social inflation and nuclear verdicts have forever reshaped the umbrella liability market. The hotel and lodging industry has been especially impacted by this shift, with liquor liability exposures driving unfavorable results. Even accounts with good performance have experienced significant rate increases, with poor performing accounts seeing even higher increases.

Throughout 2023 and in 2024, these trends are still the primary forces shaping umbrella capacity. Insurers are a lot more reluctant to put up large limits having carried the brunt of large claims payouts from massive verdicts for year after year. However, insurers are more willing to provide better terms for supported umbrella coverage (written with another liability line), versus monoline coverage (umbrella underwritten and sold on its own).

Additionally, risk purchasing groups that cater to the hotel industry are restricting capacity and placing additional underwriting scrutiny on many insureds. This results in buyers leaving products and going out to build their own excess liability towers, which can be more expensive.

With umbrella coverage serving as a shield from social inflation and nuclear verdicts, building strategies that address your internal and external risks so that you are more likely to avoid a claims scenario will help you get better rates and terms from insurance partners. Some examples of your available options include investing in safety protocols, staff trainings, and compliance. Connect with a BRP advisor for a deep dive into your operational DNA and tailored recommendations to reduce your exposure to liabilities.

Excess and Surplus

Rate Trend: -10% to +30%*

Demand for the excess and surplus (E&S) market remains sustained, with a greater number of buyers turning to E&S capacity to help them solve their needs throughout 2023, particularly with more difficult to place, niche risks. For insurers, the E&S market is a nimbler environment in which they can address the realities and challenges of the admitted market with fewer regulatory constraints. The Wholesale and Specialty Insurance Association reported that the U.S. surplus lines market grew 15.9 percent in the first half of 2023 to reach nearly $36 billion in premiums. And that's after a record-breaking 2022 where the market saw $31 billion in premiums and 32.4 percent growth.[i] Because of sustained hard market conditions for many commercial P&C lines, growth and demand in the E&S market is set to continue in 2024.

For the hotel and lodging industry, the E&S market is still more expensive that admitted markets. However, there is more competition in the E&S market versus the admitted markets. Admitted markets still have diminished capacity in coastal regions. Comparatively, E&S insurers have had significantly more capacity to deploy in 2024, which has created competition for highly desired risks and resulted in decreasing rates or flat renewals. However, tough to place business such as frame construction, coastal assets, and EIFS will continue to see heightened underwriting scrutiny in 2024.

The quality of submissions continues to be a priority for E&S underwriters, especially for niche risks. With complex, nuanced situations that require specialized solutions, a BRP advisor can help best represent your organization to underwriters with detailed information regarding your operations and safety procedures and protocols, so you are able to build an insurance portfolio that offers adequate protection for your business.

Helping You Discover Your Resiliency

BRP

The insurance market will continuously shift in search of stability, affecting the options available to buyers. As you recalibrate your approach to the insurance market and look for ways to maximize the value of insurance for your organization, BRP's hotel and lodging advisors are ready to help you discover your resiliency and work toward your long-term success. With experience navigating all market conditions, long-standing relationships with insurance partners, access to valuable resources, and dedicated expertise for hotel and lodging operations, we stand by our clients as they explore strategies that contain the cost of exposures and find insurance solutions that align with business priorities.

Here is how we can work together to optimize your approach to risk and insurance:

1

Harnessing the power of data

When underwriters do not have a complete picture of how your business operates, they are likelier to provide coverage based on conservative assumptions. This could lead to less favorable terms at a higher cost, and in some cases, declination. As your partner, we help you bridge the gap between what an underwriter might initially see about your organization and what lies beneath the surface by tapping into your unique business intelligence data. Using this propriety data can help us paint a more accurate picture of your operations and exposures in a manner that is easier for underwriters to understand so that you obtain better results from insurance partners. And in instances where clients may not have processes and tools in place that provide data-driven insights about their operations, we can provide recommendations and resources about where to start.

2

Reinforcing your property's defenses

Weather events are a reality of the world we live in, but there are things businesses can do to reinforce their defenses against extreme weather. We begin by discovering where your structures and contingent operations are most vulnerable to weather risks, communicate what a loss might amount to in financial terms, and provide recommendations about how to address these risks. Should you choose to make investments in hardening your property, you will have a lot of options to consider, such as sprinkler suppression systems, double paned windows, storm shutters, building reinforcements, and more.

By doing a deep dive into the weather risks that impact your organization, our experts can help you make informed decisions about how to best prioritize repairs and reinforcements, as well as how to modify processes and protocols to better weather the storm. Once we determine how to reinforce your property, protect your workforce, and strengthen your operations against natural disasters, we will communicate this information to underwriters and paint a favorable narrative that shows you are proactive and likelier to rebound from a loss.

3 Bolstering your operational strength

One of the best ways to contain the cost of insurance is to reduce the chance of a claim being filed by investing in loss controls and improving your operational strength. Of course, best practices for each business depend on many variables. Your workforce, geography, services rendered, products sold, and vendor relationships all shape your specific risk management needs. Loss controls may include initiatives like employee safety training programs, the use of telematics, emergency response plans, sexual harassment training, and more.

Building up processes that improve your business' ability to respond to exposures requires careful consideration in order for these strategies to work as intended. Working closely with a BRP advisor who brings their insights from working with similar companies and who has seen countless claims scenarios play out can better position you to face business risks as they arise by helping you decide where and how to implement loss controls. Our advisors will then work with you to present this information to underwriters to help you get better rates and coverage terms.

4 Tailoring coverage options

With insurance, you will find that you have many choices to make. You will have to think about various coverage types, deductible structures, and self-retention levels. You might choose to buy all your coverage from insurance partners, explore alternative risk solutions, like captives, or find that a combination of options best suits your business. As you traverse the world of coverages and make decisions for your organization, our advisors help you decode the ABCs of the insurance landscape and weigh the benefits and downsides of available options so you can make confident decisions.

5 Providing interdisciplinary solutions and insights

In addition to commercial risk advisors with specialized expertise in the various industries, BRP also has advisors who can provide you employee benefits and private risk guidance. Though commercial risk, employee benefits, and personal risk have distinct needs, we find that sometimes these worlds overlap in manners that impact our clients' insurance and risk management strategies. For example, information that nominally impacts a commercial risk coverage may impact rates and provisions available from benefit insurance providers and vice versa. Or, when having conversations with board members, connecting them to a BRP private risk advisor can help them build comprehensive strategies that better protect their personal assets if they encounter allegations of wrongdoing.

Partner with our team of advisors to learn more about how you can successfully navigate a shifting insurance landscape and recalibrate your business strategies for long-term resiliency.

Hotel and lodging expertise, in focus

Protecting all your passions and assets

Though you might face challenges and risks as you pursue your goals and passions, there are solutions that you can leverage to secure your success. Partnering with a team that is immersed in the hotel and lodging space and understands its complex intricacies is critical to ensuring that your assets and reputation remain protected. By leveraging our complete, proprietary RiskMap process, we'll create a risk management and employee benefits strategy that takes into account all aspects of your professional and personal life, so you can focus on what's most important. Our dedicated hospitality team has insured over 1,100 hotels, 175 golf & country clubs, and 6,000 restaurants across all 50 states and in many foreign countries. We come to you with eight A-rated hospitality-specific programs. Partner with us to build your customized insurance program with coverages that best meet your needs and reduce your total cost of risk.

Joey Masters is currently a Partner at BKS Partners and has been with the firm since January 2018. In his time here, he has become an invaluable member of our Commercial Risk Management Group. His vast knowledge of the Hospitality sector and his genuine care for his clients landed him the incredible honor of being named a 2023 Hospitality Power Broker. Read the press release here

joey.masters@bks-partners.com 813.676.7643

Joey is a pleasure to work with; he really cares about our business and what's best for us. We have never experienced this level of dedication from an insurance advisor before.

- Billy Gilchrist, Hospitality Client

HOSPITALITY CASE STUDIES:

- BKS Provides Golf and Country Club with a One-Stop Holistic Solution to Their Insurance Needs
- National Restaurant Group Improves Cash Flow Through Analytics & Negotiation
- Multi-Site Restaurant Operator Protects Liquidity and Reduces Risk During the Pandemic
- BKS Partners Helps Restaurant Group with Comprehensive Coverage Plan

DEDICATED HOTEL AND LODGING INSURANCE RESOURCES

Our hotel and lodging specialists will take the time to understand your specific needs, review your unique circumstances from a complete vantage point, and provide practical steps that help build and maintain a risk management program that evolves in lockstep with your needs.

Learn more **about how we can partner to navigate solutions that contain the totality of your risk.**

References

**Based on BRP adivsor's client data*

This document is intended for general information purposes only and should not be construed as advice or opinions on any specific facts or circumstances. The content of this document is made available on an "as is" basis, without warranty of any kind. Baldwin Risk Partners, LLC ("BRP"), its affiliates, and subsidiaries do not guarantee that this information is, or can be relied on for, compliance with any law or regulation, assurance against preventable losses, or freedom from legal liability. This publication is not intended to be legal, underwriting, or any other type of professional advice. BRP does not guarantee any particular outcome and makes no commitment to update any information herein or remove any items that are no longer accurate or complete. Furthermore, BRP does not assume any liability to any person or organization for loss or damage caused by or resulting from any reliance placed on that content. Persons requiring advice should always consult an independent adviser.

Baldwin Risk Partners, LLC offers insurance services through one or more of its insurance licensed entities. Each of the entities may be known by one or more of the logos displayed; all insurance commerce is only conducted through BRP insurance licensed entities. This material is not an offer to sell insurance.

1 NOAA National Centers for Environmental Information (NCEI), "U.S. Billion-Dollar Weather and Climate Disasters," December 8, 2023
2 Munich Re, "Natural disaster risks: Rising trend in losses," accessed December 10, 2023
3 Swiss Re, "Insured losses from severe thunderstorms reach new all-time high of USD 60 billion in 2023, Swiss Re Institute estimates," December 7, 2023
4 NPR, " The wildfires in Maui are unusually destructive due to Hurricane Dora's winds," August 9, 2023
5 Munich Re, "Record thunderstorm losses and deadly earthquakes: the natural disasters of 2023," January 9, 2024
6 The Insurer, "Rising verdict severity ripples through casualty lines," September 10, 2023
7 The Insurer, "Rising verdict severity ripples through casualty lines," September 10, 2023
8 J.P. Morgan, "2024 economic outlook: 10 considerations for the US economy," December 22, 2023
9 Verisk Maplecroft, "The Trendline - Climate-driven unrest escalates in Europe in 2023-Q1," May 2, 2023
10 J.P. Morgan, "2024 economic outlook: 10 considerations for the US economy," December 22, 2023
11 Bloomberg, "Fed Research Reveals Biggest Culprit Behind US Inflation Spike", Ana Monteiro, June 21, 2023
12 Precedence Research, "Artificial Intelligence (AI) in Insurance Market," July 2023
13 Captive International, "SIIA: captive market booming," October 10, 2023
14 S&P Global, "Global Reinsurance Stabilizes As Green Shoots Emerge In Underwriting," September 5, 2023
15 S&P Global, "Global Reinsurance Stabilizes As Green Shoots Emerge In Underwriting," September 5, 2023
16 NOAA National Centers for Environmental Information (NCEI), "U.S. Billion-Dollar Weather and Climate Disasters", December 15, 2023
17 Swiss Re, " Severe thunderstorms account for up to 70% of all insured natural catastrophe losses in first half of 2023, Swiss Re Institute estimates," August 9, 2023
18 U.S. Securities and Exchange Commission, "Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure," November 14, 2023
19 Federal Register, "Regulations to Implement the Pregnant Workers Fairness Act," August 11, 2023
20 Gov Docs, "Marijuana Laws by State: Employee Protections," August 2, 2023
21 Plan Sponsor, "ERISA Plan Litigators Use 'More Credible' Tactics in First Half of 2023," August 22, 2023
22 Plan Sponsor, "ERISA Plan Litigators Use 'More Credible' Tactics in First Half of 2023," August 22, 2023
23 Corvus Insurance, "2023 Ransomware Attacks Up More Than 95% Over 2022, According to Corvus Insurance Q3 Report," October 24, 2023
24 AXA, "What's prompting the E&S insurance market's continued growth," September 11, 2023