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2024 Property Outlook: Navigating a Changing Market

Richard Montminy • February 15, 2024

We have just come out of the 1/1 renewal season, making this a perfect opportunity to pause and take stock of the current state of the property market. There is good news for the landscape overall, although it is important that we do not get complacent, particularly when it comes to any risks exposed to natural catastrophes.

Market conditions are favourable, with continued growth expected in 2024

2024 has started out very differently than the year prior, with a reinsurance market that has been calmer to navigate, with flat to moderate rate changes. In addition, terms and conditions have settled into more equilibrium.

The resultant market is in a much better place overall than it was at this time last year, with more of a sense of normalcy and renewals happening in a timely manner.

Changing conditions bring more players to the market

As rates have continued to increase, as we anticipated, competition is starting to become more prevalent. This factor is causing the market to see conditions stabilize after 12+ months of significant tailwinds, leaving the market with a much stronger foundation to build from. Much improved rates, coupled with more accurate values, have been necessary to provide a premium base for insurers to support the risks and exposures as well as the natural catastrophes that continue to present themselves in a more frequent and volatile way.

The challenge will be that the market remains disciplined and diligent in its approach as more competitors that sat on the sideline last year jump back in.

Climate change is a driver of the changing market

Looking into 2024, we can expect the impact of natural catastrophes to continue to change the property insurance landscape.

The days of secondary perils being lower down the priority list of insurers and reinsurers are quickly ending, as hail, tornadoes, floods, and wildfires, continue to grow in both frequency and severity and have become an increased source of loss. These more frequent events will push reinsurers to move themselves away from frequency events caused by these perils, which will increasingly impact the direct market. This impact will affect consumers and businesses in different ways and some will have to self-insure. As an industry we will only be able to maintain our focus on long-term support for our clients by ensuring risk is appropriately priced and that reasonable, effective terms and conditions are in place.

Forgotten catastrophe risks need to be remembered

We will be watching closely to see how market conditions will play out over the next several quarters, particularly as we move into hurricane season. The 2023 season was a calm one, but there are no guarantees that 2024 will follow suit. At the same time, 2024 is the thirtieth anniversary of the Northridge earthquake and its possible that our industry may have become complacent about the risk and possible costs of quake damage, given the arrival of the other more immediately pressing natural catastrophe risks California has suffered in recent years. But earthquake exposures remain significant and need to be carefully considered in underwriting.

In an era of accelerating risk, clients need to know their insurance partner will be there

Today, the market is continuing to move forward, albeit at a more stable pace than we saw 12 months ago, and there remains a lot of opportunity. As a result, there are a lot of people jumping in for a piece of the pie. That is driving a lot of positive vibes right now, but it is important to take a cautionary stance.

The market will continue to experience volatility, from inflation driving property values and the impacts of climate change. In this complex environment, clients and brokers are looking to their carrier partners to provide consistency, long-term thinking, realism in the rating environment, and capacity availability as the market moves through the cycle.

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