MIA Listening Session: Commercial Insurance Issues Facing Small Businesses

Loretta Worters
Vice President, Media Relations

April 14, 2022

Insurance Information Institute • 110 William Street • New York, NY 10038
lorettaw@iii.org • 917-208-8842 • www.iii.org
We are the trusted source of unique, data-driven insights on insurance…

……to inform and empower consumers.
How Insurance Drives Economic Growth

**Safety/Security**

1. Insurers are financial first responders
2. Insurers are risk mitigators

**Economic/Financial Stability**

3. Insurers are capital protectors
4. Insurance is a partner in social policy
5. Insurance sustains the supply chain
6. Insurers are capital infusers

**Development**

7. Insurers are community builders
8. Insurance enables infrastructure improvements
9. Insurers are innovation catalysts
10. Insurers are credit facilitators
The Disruption Continuum

Catastrophes

COVID

Economics

INSURANCE

Geopolitical

Social Unrest

Technology
State of the Commercial Insurance Market

Hard market conditions continue
Due to uncertainty and postponing capital investments

Global chip shortages, Supply chain issues

Rising replacement costs

- Steel mill products up 112 percent
- Plastic construction products up 35 percent.
- Diesel fuel up 56.5 percent.
- Aluminum mill shapes up 32.7 percent.
- Copper and brass mill shapes up 24.8 percent over the year.
- Architectural coatings (includes paint) up 24.3 percent.
- Lumber and plywood up 21.1 percent.
- Insulation up 19.2 percent.
- Trucking up 18.3 percent
- Construction machinery and equipment up 11.4 percent.
Key Industry Risks
Key Risks

Cyber

Forbes
Fed Chair Powell Warns That Cyber Attacks And Covid-19 Spreading Again Are The Biggest Risks To The Economy
Jonathan Ponciano Forbes Staff
Apr 11, 2021

Pandemic & Its Impacts

The soaring market that threatens to derail the economic recovery
Housing costs could eventually boost inflation by as much as 2 percentage points by the end of next year, though the effects could be felt sooner, according to a forecast from Fannie Mae.

Catastrophes

Supply chain issues

Employment Practices Liability
Key Risks

Cyber
Key Risks

Cyber

TIPS TO MAKE YOU SMALL BUSINESS MORE SECURE

- Make sure you do a risk assessment
- Educate your employees
- Have your network well protected
- Back up your data
- Updates are everything
- Strong passwords and two-factor authentication
- Implement the principle of least privilege
- Use VPN and secure your Wi-Fi
- Vendors monitoring
- Opt for an MSP

Tips on how to implement cybersecurity for small businesses
Pandemic Risks

COVID-19 and economic recession and recovery have changed how we live and work, with impacts across most insurance product lines including areas such as business interruption.

Business Interruption

- Insurance industry defended commercial policy contract language, but lawsuits continue
Employment Practices Liability
Catastrophes
U.S. Catastrophe Losses Steadily Climbing

(U.S. Inflation-Adjusted Losses, $ Billions, 2021)

- 1980s: $7.6 B
- 1990s: $20.7 B
- 2000s: $35.8 B
- 2010s: $52.4 B
- 2020s: $88.4 B

*Includes insured losses from all natural perils.

Source: Aon (Catastrophe Insight)

Insured Cat Losses are Increasing at an Alarming Rate – Nearly 700% Since 80’s
People are Living More In Harm's Way
That Includes Businesses

Miami Beach: 2022

Miami Beach: +3’
2021 Is a Preview of Evolving Climate Risk

Texas Freeze  Hurricane Ida  Boulder, CO Fire
What does this all mean for small businesses?

Business success and risk are inherently intertwined. Small businesses have an opportunity to make risk management — from better understanding of their exposures to updating their risk mitigation strategies and insurance program — a priority, so if they do have a loss, they can build back stronger.
Thank you!

www.iii.org