



HUB International 2022 US Insurance Market and Rate Report

REAL ESTATE



Risk & Insurance | Employee Benefits | Retirement & Private Wealth



A New View of Risk in Real Estate

A hoped-for return to “normal” for real estate isn’t yet in sight.

Instead, 2022 will be about owners and operators reshaping their approach to risk management and adjusting to growing catastrophe exposures and rising liability risks. Escalating nuclear verdicts, civil unrest and natural disasters will continue to result in higher rates, lower capacity, and restrictive coverage terms.

Here are the trends we are seeing:

- The commercial real estate insurance market remains tight with carriers assessing their portfolios by reducing their exposures in hopes of returning to profitability. Standard carriers have restricted or stopped underwriting risks on habitational properties including single-family homes, multi-family apartments, student housing, senior care properties and government-subsidized housing. Property owners may need to turn to a non-admitted surplus lines market for coverage, especially if portfolios show more than a 20% average of habitational risk.
- Given rising rates, real estate owners are likely to want to shop carriers. Having two brokers will affect pricing on large portfolios. Underwriters will accept only one broker at a time, and if the first broker to engage does not present a complete submission, it results in a declination to quote for all brokers. Insureds that require higher limits and purchase their insurance through multiple carriers should have a single broker coordinating between all the carriers to ensure terms and conditions are seamless.

- As carrier appetites for risk fluctuate, brokers are tasked with giving alternative options to the incumbent. In order to secure a quote, a complete submission is required including statement of values with post-pandemic replacement construction costs and loss runs, even for clean portfolios, to secure new and renewal terms.
- In the face of surging costs for labor and materials, it's good to review building valuations. Insureds who have performed updates for older buildings and have proper maintenance protocols will present a more attractive risk.

For best-in-class portfolios, expect to see some relief of year over year premium increases. However, further reinsurance actions are expected to come in January 2022, and those increases will be passed to insureds. Best-in-class portfolios who have already received significant rate increases the last two years may see some stabilization or smaller increases.








Read HUB International's [2022 Real Estate Industry Outlook](#) and get additional perspectives on what to expect and prepare for in the year ahead.









US Rate Guidance

HUB International's rate outlook comprises an analysis of proprietary national survey data and interviews with HUB commercial insurance brokers and risk services consultants who specialize in the Real Estate industry.

On average, we are experiencing rate increases for nearly all coverages because carriers need additional premium to support increased losses and expenses. Below are projections of rate increases we anticipate in 2022. It's important to discuss your business' exposure with your insurance broker and understand what to expect well in advance of your next renewal.

Coverage Type	2022 YOY Rate Guidance	Insights
COMMERCIAL PROPERTY 	↑ 10% or higher	There will be a slowdown in large rate increases and rising deductibles, but rates will rise nonetheless.
RESIDENTIAL & HABITATIONAL PROPERTY 	↑ 20% or higher	Capacity will remain a challenge. Carriers are looking for large portfolios spread over multiple states to diversify risk. Placement of smaller condos and HOAs with few locations will remain challenging.
CATASTROPHIC PERILS 	↑ 10%-20%	Capacity is limited, particularly in areas exposed to convective storms, floods, earthquakes and wildfires — expect higher deductibles and retentions, capping exposure with lower limits.
AUTOMOBILE 	↑ 5%-10%	Due to litigation trends and surging repair costs, the market will experience premium hikes.
GENERAL LIABILITY 	↑ 5%-10%	Severity of claims, increased litigation and nuclear verdicts will continue to push rates upward.

US Rate Guidance

Coverage Type	2022 YOY Rate Guidance	Insights
WORKERS' COMPENSATION 	↔ Flat	Given claims activity in other casualty lines, there is more competition to write Workers' Compensation, as it's viewed as a safe haven.
UMBRELLA/ EXCESS LIABILITY 	↑ 20% or higher	Even clean accounts are experiencing large increases. Risks with claims activity could see rates double. When incumbent carriers stay on a tower, pricing will typically be more stable.
DIRECTORS & OFFICERS 	↑ 10%-20% or higher	The hard market is expected to continue due to increased litigation and nuclear verdicts.
CYBER LIABILITY 	↑ 20% or higher	Real estate escrow companies, in particular, are being targeted by cyberattacks. As premiums rise, review vendors and their vulnerabilities, and communicate quality safeguards through the submission.
REAL ESTATE BUSINESS		
COMMERCIAL REAL ESTATE 	↑ 10% or higher	The market will remain firm. Portfolios are experiencing higher vacancy rates; tenants have violated or not renewed leases during the pandemic.
HABITATIONAL & RESIDENTIAL REAL ESTATE 	↑ 20% or higher	Condominium and HOA risks are becoming more difficult to place as markets are constricting.
REIT 	↑ 10%-20%	The market remains firm, given COVID-19 uncertainties as the real estate market adjusts to hybrid work models.
NON-PROFIT HOUSING 	↑ 20% or higher	Expect the hard market to continue with more pressure to update and maintain buildings on tight budgets.

Note: Rate is typically defined as the amount of money necessary to cover losses, expenses, and provide an insurance company with a profit for a unit of exposure. Exposure refers to a business' or individual's susceptibility to various risks encountered daily. Carriers evaluate the level of risk an insured faces in calculating insurance premiums.

Risk Mitigation

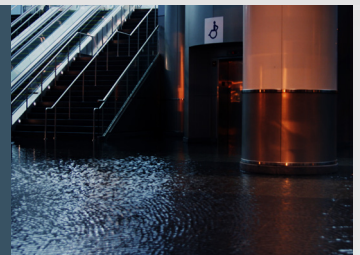
HUB Risk Services consultants recommend the following actions in 2022:

Property Vacancies — There is a difference in rates charged for vacant versus unoccupied properties – vacant properties carry higher rates with significant coverage restrictions. Unoccupied denotes that the property owner is between tenants, and the owner, security, real estate agents or tenant improvement contractors are visiting the property. Mitigate risk through having unoccupied rather than vacant properties. Advise your broker of any construction to repurpose the property (e.g., converting retail space to warehousing).



Increased Cost of Construction — Review the Statement of Values (SOV) months prior to renewal with a contractor. Replacement cost and construction increased last year 30% in certain geographies. As shortages of construction materials abate, costs may decline and values as well.

Water Damage Mitigation Strategies — With Real Estate portfolios, the overwhelming damage comes from water leaks, and underwriters want detailed plans about damage mitigation. These strategies can usually be managed and directed through HUB Risk Services. Properties with a frequency of water claims that have a mitigation strategy will see more favorable terms and open up the market to additional carriers.



Contract Review — Review leases as the tumult of the last year has changed everything. A broker can help review the insurance clause of the lease to ensure it reflects a strong risk transfer strategy and at the very least, you are compliant. Don't wait for the certificates to go to your lender to find out.

Security Plans — In several cities, homeless populations have occupied private real estate. Lacking security patrols, on-site guards, or cameras, portfolios are more susceptible to vandalism and fire losses. Property owners need to articulate security plans to keep tenants, customers, and assets safe.



Strategic support that puts you in control.

When you partner with us, you're at the center of a vast network of experts who will help you reach your goals. Because we know your industry, we can help you minimize losses, protect your reputation, and help you plan confidently for the future. With HUB, you have peace of mind knowing that what matters most to you will be protected — through unrelenting advocacy and tailored solutions.

For more information on how to manage your insurance costs, reduce your risk and take care of your employees, contact a HUB real estate insurance specialist.

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