



Gallagher

Insurance | Risk Management | Consulting

# Spring 2023

## Food and Agriculture Insurance Market Update

### WHERE WE WERE: WHAT WE'VE SEEN THROUGH Q1 2023

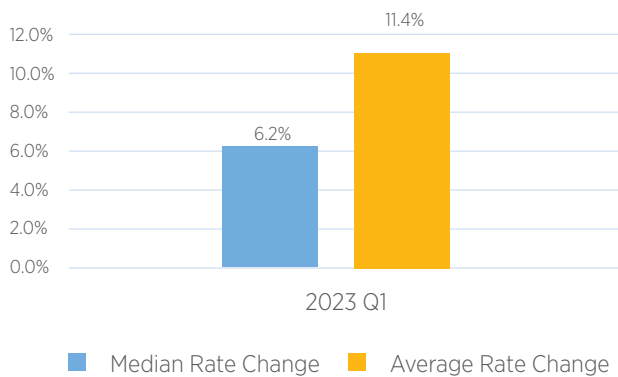
- For food and agricultural accounts, the insurance market remains challenged. While the pace of premium rate increase has slowed for General Liability, Auto and Umbrella insurance, these lines of coverage still have rate increases.
- While Property insurers have been steadily getting more rate, pushing deductibles higher, reducing capacity and generally employing more strict underwriting standards, they all say there's more work to be done to return to profitability.
- For agricultural risks, the marketplace is limited. Over the past four years, three specialty agricultural insurers have exited the marketplace, and just one new entrant has come in. The new entrant has been very selective as it enters the space. We need more capacity and more insurance carriers to create competition.
- For food manufacturing, the marketplace has been equally challenged. Continued large property losses at food plants are top of mind for the underwriting community, and the number of insurers willing to underwrite this class of business has contracted.

- Some clients have changed their program structure to attempt to control their insurance costs. For Property insurance, the traditional approach of raising deductibles to reduce cost isn't resulting in significant savings, as insurers need premium dollars for severe losses and reinsurance costs.
- Market forces such as inflation, rising cost of labor, rising cost of construction, property reinsurance and nuclear verdicts affect all businesses, including food and agricultural companies.
- Underwriters have more submissions than they can possibly work on. They want to know what it will take to win before they even begin the underwriting process.

### WHERE WE ARE: WHAT WE'RE SEEING NOW

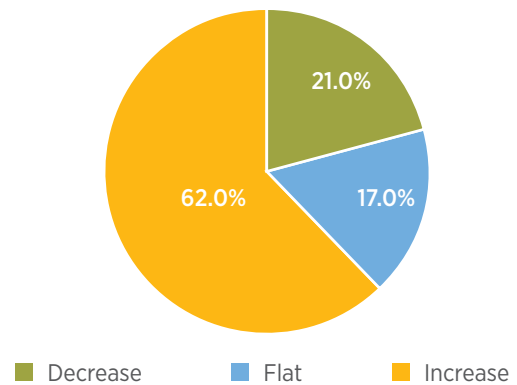
- Rate increases are now averaging 11.4% over the last four quarters, dependent on risk profile and line of coverage mix.
- There's some competition for accounts that have good loss history, proven management, strong risk control in place and strong balance sheets.
- In Q1 2023, 21.0% of our clients saw rate decreases overall, when combining all lines of coverage.

Rate Change Percentiles: All Lines



Source: Gallagher Drive\*

Rate Change Distribution: All Lines



Source: Gallagher Drive\*



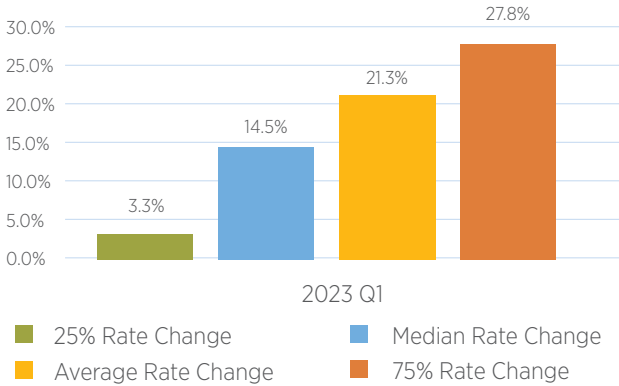
**Product Recall**

- The product recall/contamination insurance space is flush with capacity and is a bright spot for buyers.
- New insurers and managing general agents have arrived in the Product Recall insurance space and have spurred competition.
- As the pandemic winds down, regulators are back on the front lines with a major focus on consumer and product safety, which appears to be a significant driver of more frequent events and recalls.
- We believe that the market might shift in the near future.

**Property**

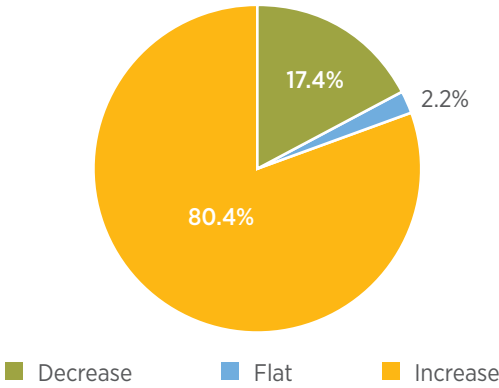
- Property insurance has been and continues to be the most challenging line of coverage.
- Property underwriters absolutely insist on accurate statements of value, business income worksheets and responses to risk improvement recommendations.
- Average rate increases for Q1 2023 are 21.3%.
- For Q1 2023, 80.4% of our clients saw rate increases for Property insurance.

**Property Coverage Line Rate Change Percentiles**



Source: Gallagher Drive\*

**Property Rate Change Distribution**

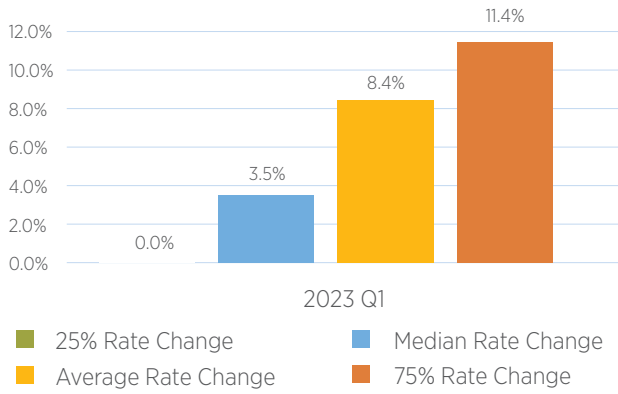


Source: Gallagher Drive\*

## General Liability

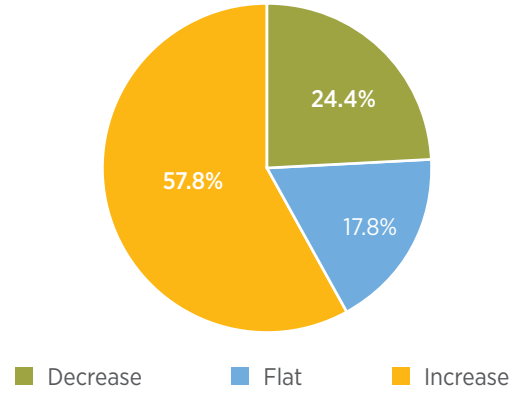
- General Liability rate increases averaged 8.4% in Q1 2023.
- For Q1 2023, 57.8% of our clients saw rate increases for General Liability and 24.4% saw decreases.

GL Coverage Line Rate Change Percentiles



Source: Gallagher Drive\*

GL Rate Change Distribution

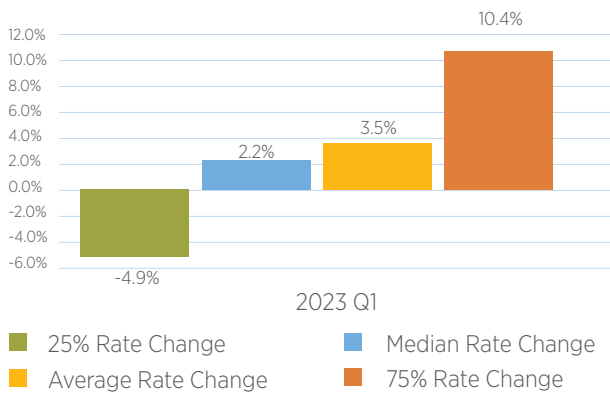


Source: Gallagher Drive\*

## Workers Compensation

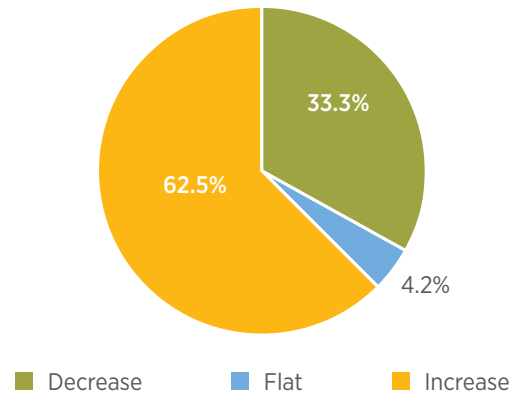
- Workers compensation showed an average of 3.5% rate increase in Q1 2023.
- 62.5% of our clients saw rate increases, while 4.2% experienced flat rates in Q1 2023.

WC Coverage Line Rate Change Percentiles



Source: Gallagher Drive\*

WC Rate Change Distribution

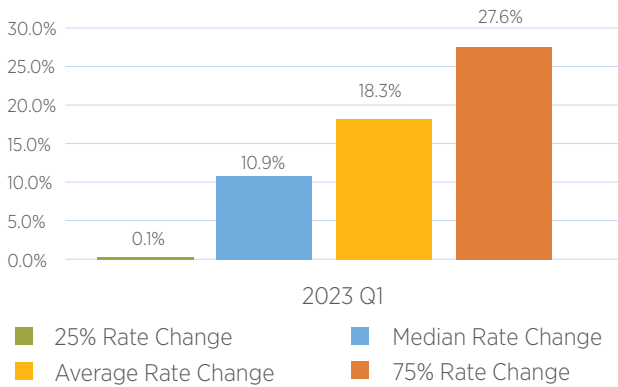


Source: Gallagher Drive\*

## Umbrella

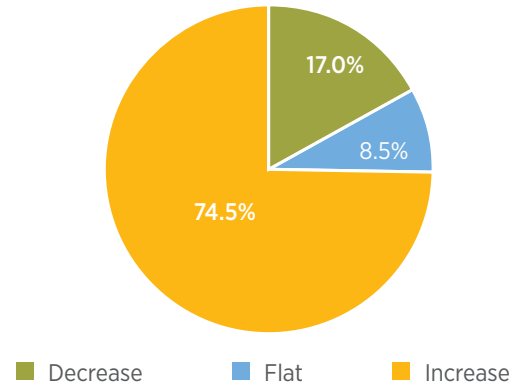
- Umbrella rates showed an average increase of 18.3% in Q1 2023, with 74.5% of our clients seeing an increase.
- Accounts that have large fleets, produce food ingredients or have risk characteristics that underwriters deem as high hazard will see higher rate increases and shrinking capacity.
- The pricing for the higher layers appears to be improving more quickly than the first layer.

### Umbrella Coverage Line Rate Change Percentiles



Source: Gallagher Drive\*

### Umbrella Rate Change Distribution

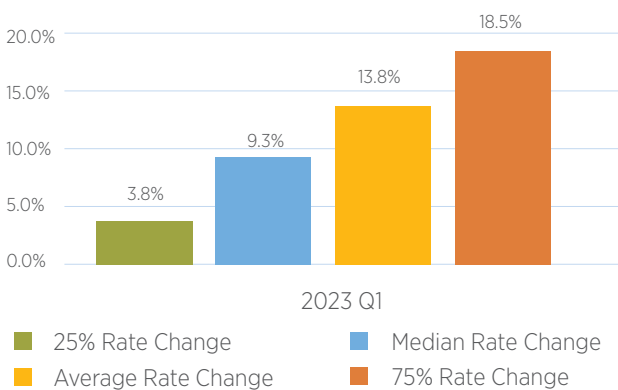


Source: Gallagher Drive\*

## Auto

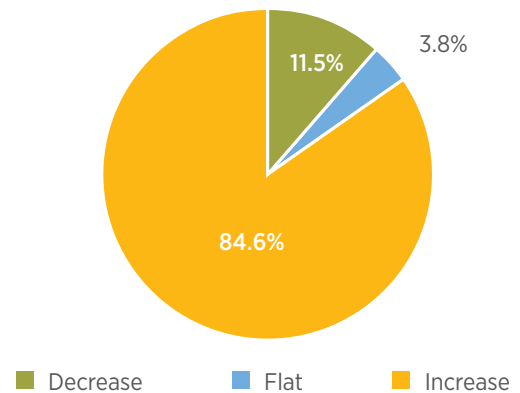
- Auto rates for food and agriculture accounts had an average rate increase of 13.8% in Q1 2023.
- Loss experience, driver selection, radius of operations and use of technology such as telematics and in-vehicle cameras are determining factors of the ultimate rate.
- For Q1 2023, 84.6% of our clients saw rate increases for auto.

### Auto Coverage Line Rate Change Percentiles



Source: Gallagher Drive\*

### Auto Rate Change Distribution



Source: Gallagher Drive\*



## Where we're going: Trends we are watching

- Our clients feed the world. Food production is critical for the eight billion people who inhabit Earth. Both food production and food manufacturing and distribution need to continue to improve to meet the growing demand. The growth will be met by improved technology and innovation. Examples include plant-based meats, indoor agriculture, improved seed technology, robots in the food industry and advances in big data and artificial intelligence. Food tech startups will also play a role.
- In the US, 21.1 million full-and part-time jobs—10.5 % of all US employment—were related to the agriculture and food sectors in 2021.<sup>1</sup>
- According to the USDA, food prices are predicted to increase 6.5% this year.<sup>2</sup>
- Cyber security risks for food and agriculture accounts are significant, and improvements in cyber security are making a difference in the number of ransomware attacks.
- Climate change and changing weather patterns are affecting crop yields. Floods, convective storms, wildfires and other severe weather events are impacting loss expectancies and Property insurance modeling is changing as a result.

### Sources:

\*Gallagher Drive US Client Data, January 2023–March 2023. The median is the value separating the higher half from the lower half data sample (or the middle value). Due to the variability that we're seeing in this market and specific account characteristics, individual rates may vary.

<sup>1</sup>"[Ag and Food Sectors and the Economy](https://www.ers.usda.gov/data-products/ag-and-food-statistics-charting-the-essentials/ag-and-food-sectors-and-the-economy/#:~:text=Agriculture%20and%20its%20related%20industries,percent%20of%20total%20U.S.%20employment)," US Department of Agriculture Economic Research Service, updated 26 Jan 2023, <https://www.ers.usda.gov/data-products/ag-and-food-statistics-charting-the-essentials/ag-and-food-sectors-and-the-economy/#:~:text=Agriculture%20and%20its%20related%20industries,percent%20of%20total%20U.S.%20employment>

<sup>2</sup>"[Summary Findings Food Price Outlook, 2023](https://www.ers.usda.gov/data-products/food-price-outlook/summary-findings/)," US Department Of Agriculture Economic Research Service, updated 25 Apr 2023, <https://www.ers.usda.gov/data-products/food-price-outlook/summary-findings/>



## About our data

Gallagher Drive® is our premier data and analytics platform that combines market condition, claims history and industry benchmark information to give our clients and carriers the real-time data they need to optimize risk management programs. When used as part of **CORE360®**, our unique comprehensive approach to evaluating our client's risk management program, Gallagher Drive creates meaningful insights to help them make more informed risk management decisions, find efficient use of capital, and identify the top markets with the best solutions for their risks.

Rate changes in this report were calculated by using the changes in premium and exposure of Gallagher clients renewing in Q1 2023. Due to the variability that we are seeing in this market and specific account characteristics, individual rates may vary.



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