



7 Factors Driving Commercial Property Insurance Costs

Several cost-driving trends have contributed to the hard commercial property insurance market. This environment has led to continuous rate increases and other challenging conditions. In these circumstances, it's crucial for businesses to understand why premiums have been rising. This article discusses seven factors currently impacting commercial property insurance costs.

1. **Catastrophic losses**—Hurricanes, tornadoes, wildfires, winter storms and other natural disasters can cause severe losses, and these events have been increasing in frequency and severity. According to industry research, these disasters have cost the global economy more than \$100 billion in annual insured losses in five of the last six years. Additionally, several climate experts predict natural disaster trends will exacerbate catastrophic losses in upcoming years.
2. **Inflation**—The U.S. Bureau of Labor Statistics (BLS) reported that the consumer price index (CPI) reached a 40-year high in June 2022 and remained at near-record levels for the remainder of the year. Although the CPI increase has slowed in 2023, it still remains elevated. This raises the cost of certain building materials and associated repair costs. These conditions play a significant role in rising commercial property insurance claim costs.
3. **Labor shortages**—The recent labor shortages have led to construction project delays. These pauses lead to higher completion costs, which, in turn, drive up the related commercial property insurance costs.
4. **Supply chain disruptions**—As demand for certain materials continues to outweigh available inventory and global port congestion and geopolitical conflicts remain, supply chain disruptions continue. Additionally, rising fuel and energy costs, severe weather events and labor shortages have slowed shipment and increased delivery times for many goods. These circumstances delay repairs and prolong commercial property insurance claims.
5. **Property replacement costs**—Inflation, labor shortages and supply chain disruptions have led to high replacement costs for buildings, other structures and contents. According to the BLS, nonresidential construction costs have jumped 36% in the past few years. Material and labor challenges raise replacement costs, leading to higher commercial property insurance costs.
6. **Underinsurance concerns**—As building repair and replacement costs increase, underinsurance concerns in the commercial property insurance space have grown as businesses fail to adjust their coverage limits accordingly. This increases an insurer's exposure and results in higher prices.
7. **Reinsurance issues**—Reinsurers have grown more selective in taking on risks as natural disaster and inflation trends have been difficult for them to navigate. This has grown the gap between reinsurance supply and demand. Additionally, some reinsurers started limiting or eliminating their capacity for certain exposures while rates continue to rise. These increased costs are passed onto policyholders.

Contact Risk Strategy Solutions for more information.



OSHA Heat Hazard Issued

Amid recent waves of high temperatures across the country, OSHA issued a [heat hazard alert](#) on July 23, 2023, to remind employers of their duty to protect indoor and outdoor workers from heat illness. OSHA also stated it plans to enhance its enforcement in locations and industries where vulnerable workers encounter heat hazards by conducting additional inspections and engaging in the broader use of enforcement tools, especially where clear danger is present.

Additionally, as historically high temperatures break records and expose millions to the serious hazard of extreme heat in the workplace, President Joe Biden announced actions to protect workers and dedicate new investments to safeguard communities. Statistics show that individuals working in environments without adequate climate control face higher risks of hazardous heat exposure and that these situations disproportionately expose people of color to dangerous heat. Pregnant workers are also more at risk in extreme heat.

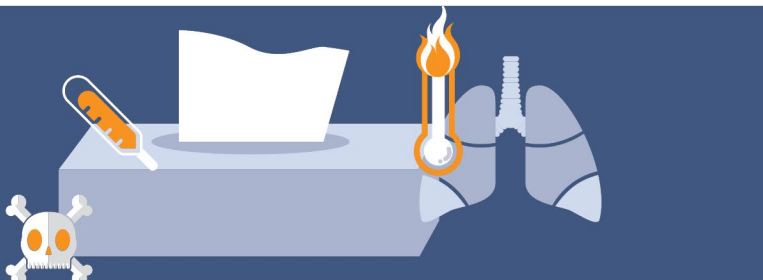
OSHA uses hazard alerts to disseminate safety and health hazard information to employers, workers and other stakeholders. An alert explains the danger and provides recommendations on how it can be eliminated or reduced. It also describes actions employers should take to protect employees. The recent alert regarding heat illness or injury in outdoor and indoor workplaces does the following:

- Emphasizes that employers are responsible for protecting workers from heat illness
- Highlights actions employers can and should take to protect workers from heat hazards
- Provides information on workers' rights, including protections against retaliation
- Describes steps OSHA is currently taking to protect workers
- Directs employers, workers and the public to [OSHA resources](#)

Employers are obligated to provide workplaces free of known safety hazards, including extreme heat. Employers are responsible for:

- Providing water, shade and rest opportunities to workers
- Allowing new or returning workers to gradually increase workloads and take more breaks as they build a tolerance to working in the heat
- Monitoring workers for signs and symptoms of heat illness
- Training workers on heat illness prevention
- Planning for heat illness emergencies

For additional guidance, contact Risk Strategy Solutions.



Among all weather-related phenomena, **heat is the leading cause of death**, according to OSHA.