

Cambridge International
Advisory Group

Insurance Industry Outlook



Introduction

The commercial insurance industry acts as a safeguard for businesses around the world. It protects businesses from financial losses due to unforeseen risks in their respective markets. Due to evolving laws and regulations, the need for commercial insurance coverage has become imperative. In recent years the industry has seen notable transformations due to evolving regulations, technological innovations, and an ever-changing landscape of risks. This report offers a comprehensive overview of the commercial insurance industry and highlights key trends and challenges.

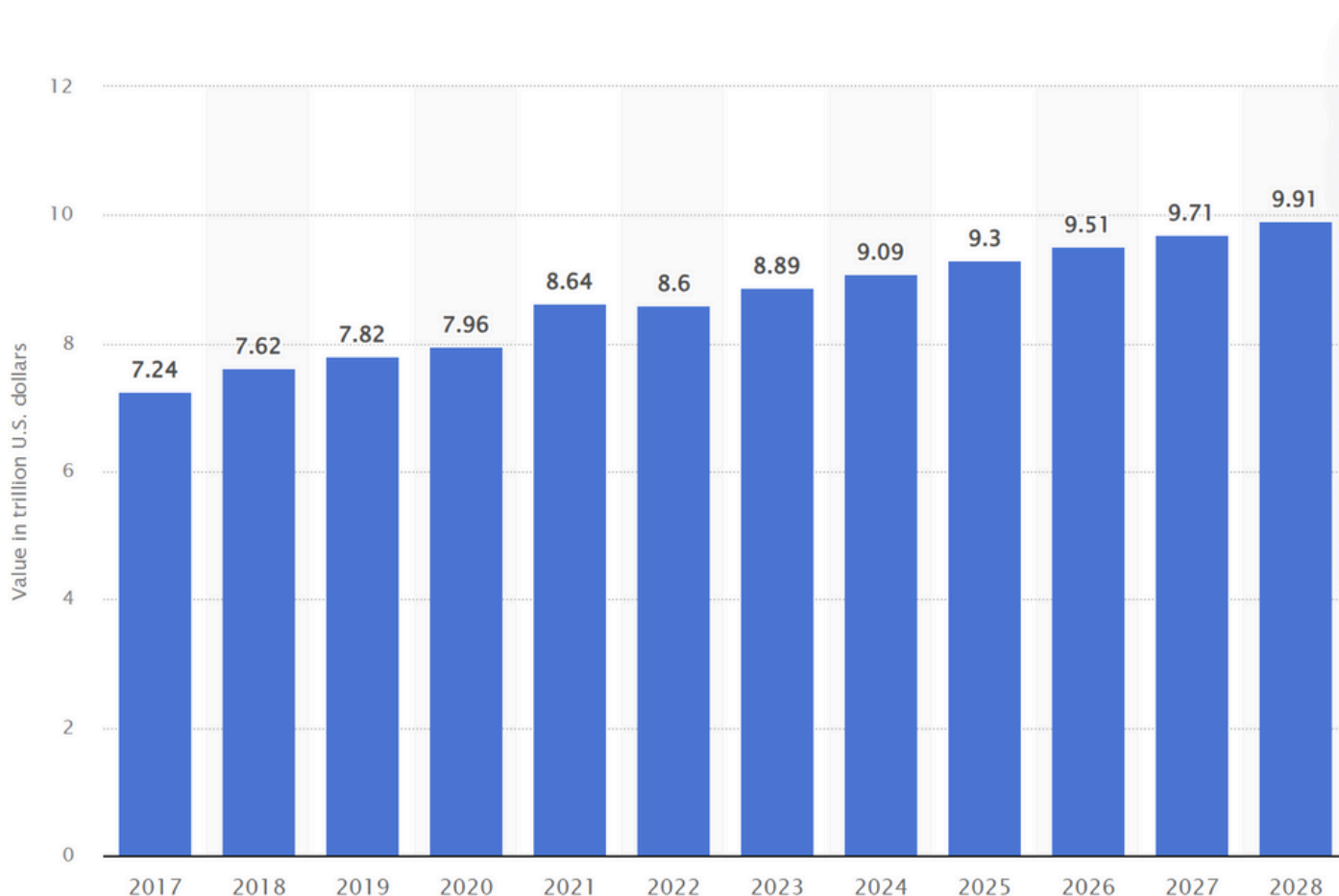
We will begin by discussing key players in the industry and their overall influence on the market. Next, we will cover how the market performs and provide a breakdown of returns across various insurance sectors. This report will also cover the most popular forms of coverage offered in the industry and why these coverage options are crucial. Next, we will cover the challenges the industry is facing and the factors influencing the recent increase in the price of commercial insurance. Finally, we will give insight into where the industry is headed.

Industry Comprisal

The insurance industry is a diverse market filled with large and small firms. While consolidation has increased among larger firms, insurance is still considered a fragmented industry. The largest writer of commercial insurance lines in 2023 was Chubbs Ltd., who closed out the year with a 5.5% market share ([Insurance Information Institute, 2023](#)). To put this into perspective, a company such as Apple holds a U.S. market share of just under 59%. The Insurance industry is composed of thousands of firms that all contribute to a fragmented industry.

Market Performance

Historically, insurance has performed quite well. However, there are types of commercial insurance that continue to perform better than others. The strongest performance comes from property & casualty insurers who have seen a 37.88% return YTD. Other categories of insurance have not seen the same caliber of returns. With diversified insurance second in performance at 23.97% YTD. Insurance is to be a steady and weathered industry qualified for investment. The 8.89 trillion insurance written premiums are expected to grow to 9.09 trillion by the end of 2024, with a further estimate of 9.91 trillion dollars in policies being written by 2028. ([Statista, 2024](#))



Financials recorded from Yahoo Finance - 09/24/2024

Coverage

The commercial insurance industry offers many different types of coverage that businesses rely on in their day-to-day operations. The most common types of coverage being purchased are property, general liability, and workers' compensation. ([FindLaw, 2024](#)). Property insurance covers

any physical assets owned by a business and protects them from damage or theft. Property coverage has many subsections that cover very specific types of assets or circumstances. For example, boiler and machinery insurance, debris removal insurance, and glass insurance are some common types of property insurance. General liability insurance protects against property damage, bodily injury claims, and general liabilities that could occur during business hours. ([FindLaw,2024](#)). This coverage is essential because it ensures coverage against common risks that could lead to a lawsuit. The third most common type of insurance is workers' compensation. This covers medical expenses and lost wages for employees who are injured on the clock. This insurance is usually required by law in most states. The one state in America that does not have laws requiring workers' compensation insurance is Texas. ([FounderShield, 2024](#)). These coverage options help ensure stability and financial resilience in an ever-changing business landscape.

Unique Challenges

Technological advancements are creating unique problems for the insurance industry. A major issue insurance companies are facing today are changes in consumer expectations. Instead of waiting for insurance quotes, consumers expect instantaneous insurance quotes produced by artificial algorithms. A main concern is the accuracy of these quotes and potential flaws in the production of robotically produced insurance quotes. The technological innovations that bring efficiency to the insurance industry also bring security risks. Since 2021 Cybersecurity insurance providers have seen a 100% increase in claims. ([GetAstra,2023](#)). Another major issue impacting the insurance industry is the rise of climate change and increased level of natural disasters affecting our planet. During the 2000's the United States experienced an average of 6.7 natural disasters every year, which averaged 58.7 billion dollars per year. ([Climate.gov,2023](#)). Compared to 2022, the United States endured 18 natural disasters which totaled 158 billion dollars in damages. This drastic increase in natural disasters has caused insurers to be more cautious when insuring specific geographic areas.

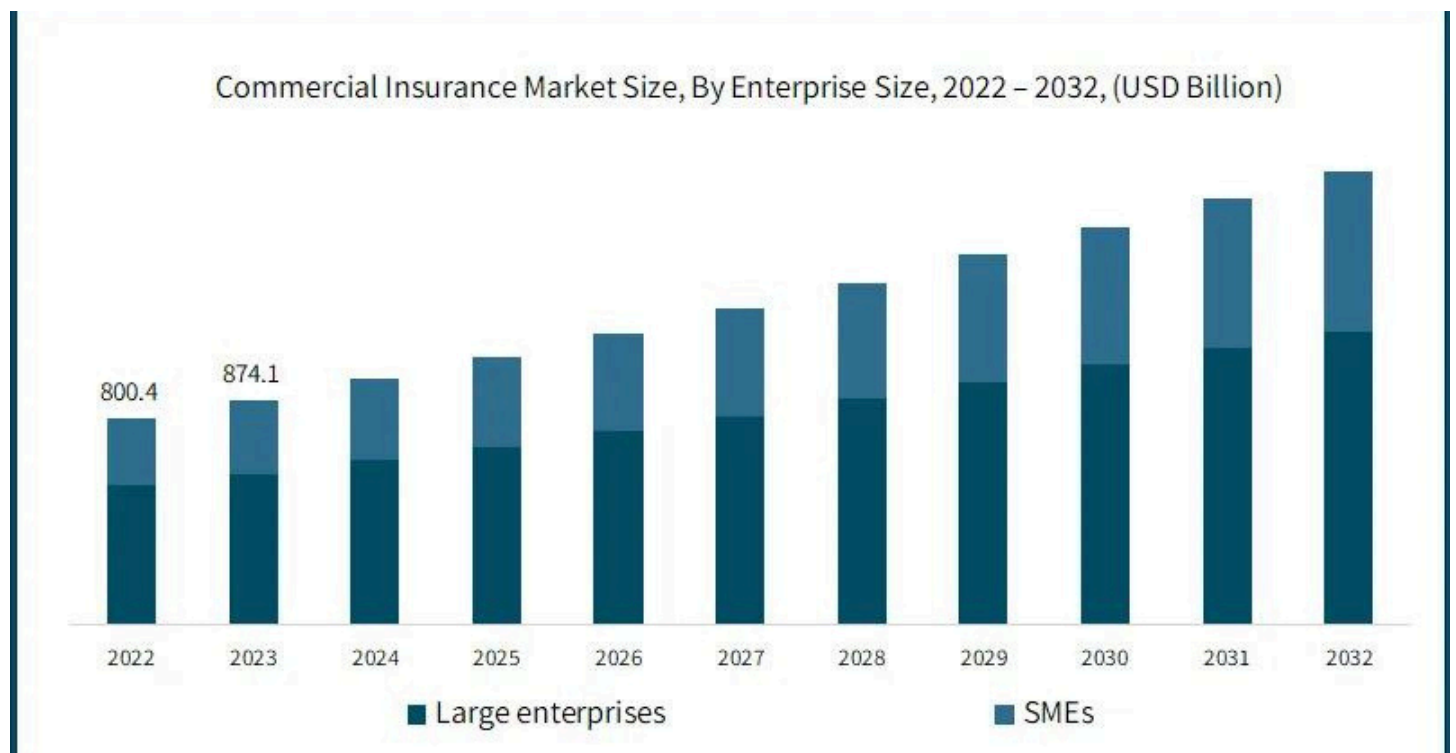
Changes In Cost

As the price of goods and services continues to rise, it is clear that insurance is no exception. Commercial property insurance rose by 20.4% in 2023. ([Deloitte, 2024](#)). Building on the theme of natural disasters, 2023 was the 8th year in a row which experienced over 10 natural disasters. Due to the frequency of these disasters property reinsurance in disaster areas rose 30.1% in 2023. The

increasing cost of goods paired with the overall inflation has furthermore contributed to the rise of insurance costs not only in the United States, but the world as a whole.

The Future Of Insurance

The commercial insurance industry is on track to have major advancements that are being driven by advancements in artificial intelligence and digital underwriting. Artificial intelligence is revolutionizing many key areas of the sector. It has enhanced fraud detection making it more advanced and faster. It is streamlining claims processing, which in turn improves customer satisfaction. It is also responsible for making the underwriting process more streamlined and error-free. Because of this, insurers are now able to assess risks with greater precision which allows for more tailored policies and pricing. Overtime, the industry will increasingly adopt automation. According to Global Market Insights, the commercial insurance industry was valued at 874.1 Billion dollars in 2023 and is on track to register a CAGR of above 7.5% between 2024 and 2032. They also predict that the industry will be worth 1.75 trillion dollars by 2032. Global Market Insights also says that the main drivers influencing the growth of the market are increased risk awareness, increased adoption of advanced technologies, and rising international trade. The commercial insurance industry appears to be rapidly growing, and as more businesses recognize its importance, it is likely to see continued expansion.



Conclusion

In conclusion, the commercial insurance industry is experiencing significant transformation driven by technological advancements, shifting market dynamics, and evolving consumer needs. Major players in the industry continue to influence market trends, while advancements in artificial intelligence and digital underwriting are revolutionizing key processes such as fraud detection, risk assessment, and claims processing. Despite challenges like rising costs, regulatory constraints, and growing cybersecurity threats, the industry is poised for continued growth, with projections showing a substantial increase in market value by 2032. To stay competitive, insurers must embrace innovation, focus on customer-centric solutions, and adapt to an increasingly digital and complex landscape. This evolving environment presents both opportunities and challenges, ensuring the industry remains a critical component of the global economy.

References

Insights, G. M. (n.d.). *Commercial Insurance Market Size & Share Report, 2024 – 2032*. Global Market Insights Inc. <https://gminsights.com/industry-analysis/commercial-insurance-market#:~:text=Market%20size%20for%20commercial%20insurance,cyberattacks%20and%20natural%20disasters%20worldwi de.>

Different types of commercial insurance - findlaw. (n.d.). <https://www.findlaw.com/smallbusiness/liability-and-insurance/different-types-of-commercial-in surance.html>

Niedbala, C. (2024, August 24). *Workers' compensation: State by State guide*. Founder Shield. <https://foundershield.com/blog/workers-compensation-state-by-state/#:~:text=In%20the%20Unit ed%20States%2C%2049,laws%20%E2%80%94%20and%20protect%20your%20employees.>

Global Market Insights. (n.d.). *Commercial insurance market size, share & trends analysis report*. <https://www.gminsights.com/industry-analysis/commercial-insurance-market>

Rudden, J. (2024, May 29). *Forecast of the global insurance market 2028*. Statista. <https://www.statista.com/statistics/1192960/forecast-global-insurance-market/#:~:text=It%20is%20forecast%20that%20the,almost%2010%20trillion%20U.S.%20dollars>

Rankings. III. (2024, February 9). <https://www.iii.org/publications/commercial-insurance/rankings>

Smith, A. B. (2023, January 10). *2022 U.S. billion-dollar weather and climate disasters in historical context*. NOAA Climate.gov. <https://www.climate.gov/news-features/blogs/beyond-data/2022-us-billion-dollar-weather-and-climate-disasters-historical>

Palatty, N. J. (2023, December 21). *64 cyber insurance claims statistics 2023-2024 - Astra security blog*. Astra Security. <https://www.getastra.com/blog/security-audit/cyber-insurance-claims->

statistics/#:~:text=Claims%20grew%20by%20100%25%2C%20however,8100%20claims%20paid%20in%202021.