Navigating Real Estate and Construction Insurance in 2025

Symphony Risk Solutions is dedicated to empowering our clients with insights and strategies to navigate the evolving insurance marketplace. As we enter 2025, understanding shifts in real estate and construction insurance is critical for protecting assets and maximizing opportunities. This paper delves into key market trends, challenges, and actionable strategies tailored to your needs.

Property Segment Trends and Pricing

Key Highlights

- Market Evolution: A shift from a prolonged hard market began in late 2023, ushering in rate moderation and increased competition.
- Natural Disasters: In 2024, 24 climate disasters caused losses exceeding $1 billion per event, yet insurers remain focused on account retention and growth.
- Capacity Surge: Plentiful capacity across global markets has driven rates down and fueled competition.

Detailed Insights

- Increased Competition: New insurer entrants, expanded line sizes, and higher Lloyd's syndicate stamp capacity have intensified competition.
- Stretch Layers: Strategies like stretching primary layers from $5M to $10M or higher are replacing costly buffer layers.
- Economic Drivers: Insurers are benefitting from interest income on cash deposits, aiding profitability.

Recommendations

- Evaluate your layering structure to capitalize on cost-saving opportunities.
- Collaborate with our team to regain or expand coverage lost during hard markets.
- Optimize terms and conditions, including deductibles and sublimits.

Liability Trends and Challenges

Key Highlights

- Rising Rates: General liability (GL) rates are projected to increase by 10%-15% in 2025, particularly in litigious states like California, Texas, and New York.
- Social Inflation: Larger settlements, higher legal fees, and frequent litigation are escalating premiums.
- Tighter Capacity: Securing the first $5M of coverage remains challenging, though competition is improving for excess layers.

Emerging Challenges

- Coverage Exclusions: Increased exclusions or sublimits for risks such as assault, battery, and habitability are becoming more common.
- Data Scrutiny: Insurers now require 7-10 years of loss runs for quoting, with detailed submissions essential for competitive terms.

Recommendations

- Implement robust risk management to mitigate liability exposure.
- Submit comprehensive and high-quality documentation to improve underwriting outcomes.
- Review deductible levels and terms to align with market changes.

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Navigating Real Estate and Construction Insurance in 2025 (cont'd)

Professional Lines Opportunities

Key Highlights

- Soft Market: Professional liability premiums remain in decline, with decreased retentions creating opportunities for cost savings.
- Increased Capacity: New entrants have added capacity, fostering favorable terms for real estate management liability policies.
- Stable Performance: Property investments' relative stability has supported a favorable claims environment.

Recommendations

- Explore opportunities for first-time buyers or those with partnership exposure to secure coverage at historically low rates.
- Leverage market conditions to enhance terms and optimize costs.

Market Intelligence for Strategic Advantage

Key Highlights

- AI-Powered Underwriting: Insurers are increasingly using technology for detailed risk analysis, making quality submissions more critical than ever.
- Economic Outlook: Declining Fed Funds rates are expected to spur increased buy/sell activity in the real estate sector.

Actionable Steps

- Partner with Symphony Risk Solutions for tailored solutions that address unique risks.
- Capitalize on market intelligence to navigate current and emerging challenges.
- Stay proactive in optimizing insurance portfolios to adapt to market dynamics.

Next Steps

Symphony Risk Solutions is here to support your success in 2025.

Contact us to:

- Schedule a personalized consultation.
- Explore strategies to optimize your insurance program.
- Stay ahead of evolving market conditions.

Let Us Play For You!

Symphony Risk Solutions is a full-service national insurance brokerage with specialty businesses focused on multiple industries including its Build and REACT business that support the needs of real estate, hospitality, construction, and commercial and homeowner associations. These Symphony businesses provide creative solutions that help with risk mitigation, budget optimization, and risk transfer.

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