

# What Is a Hard Market? And What Does It Mean For You?



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Like every market, the insurance industry fluctuates in cycles. As a business owner, understanding the difference between **soft markets** and **hard markets** in the insurance world can help you better prepare and protect your organization when the cycle swings in a new direction.

When the market is soft, insurance premiums remain stable. Insurance companies offer broader coverage and have a higher capacity for risk. During a soft market, companies will often compete over new business to a buyer's advantage.

On the other hand, a hard market drives premiums up. With less underwriting capacity and more restrictions on coverage, insurance companies are less competitive. If you're not prepared, a hard insurance market can negatively impact your business. But smart planning and preparation can help you minimize the effects of a hard market and successfully make it through to the other side.

## What Causes a Hard Market?

After the parade of natural disasters in 2011, the insurance market began to harden. Catastrophic losses, high claims costs, and low interest rates all contribute to market hardening. These and a variety of other factors were already at play at the beginning of 2020.

## That was before the pandemic.

Historically, a hard market is preceded by a trigger event, like the terrorist attacks of 9/11 or Hurricanes Katrina and Sandy. Will 2020 bring on the next true hard market? Only time will tell for sure, but it's important to prepare now and ensure your business is in the best position for success.

## Get Ready

While no one can change market conditions, there are several steps you can take now to reinforce and prepare your business for a hard market:

- 1. Budget for increases** – A hard market will likely drive up your premiums. Planning ahead for the possibility means your business won't be blindsided at renewal time.
- 2. Proactively manage your risk** – Your insurance provider can help you identify ways to do this, which in turn, can help you secure more favorable quotes.
- 3. Document your loss history** – Being able to readily explain losses to an underwriter can make the process smoother.
- 4. Work with a trusted partner** – A solid relationship with your insurance agent or broker can help a lot in times like these. From reviewing your existing coverage, to taking extra time to manage the renewal process, to providing you with a variety of options to ensure you have the most competitive quote, you'll be in better shape with a trusted insurance adviser by your side.

The good news is that hard markets don't last forever. With some extra planning and time, your business will be in better shape to enjoy the benefits of the next soft market. It might take some extra planning and time now, but the results will be worth it.

For more information and guidance, contact your VGM Insurance Services Account Manager or contact us today at [info@vgminsurance.com](mailto:info@vgminsurance.com) or **800-362-3363**.

