



Navigating the changing insurance market: Across Europe and globally there is a change in the insurance market

Across Europe and globally there is a change in the insurance market and whilst it may vary from country to country and by line of business, it is here, with the effects already evident and the industry seeing areas of difficulty for insurance buyers in classes such as professional indemnity/cyber, directors and officers, employment practice liability, crime and marine cargo.

Poor results, driven by poor claims experience, together with the costs of doing business, have led to many Insurance Carriers cutting back on capacity and exiting lines with COVID-19 making Carriers nervous about the impact of the pandemic across their business leading to a more aggressive approach to coverage.

Whilst these trends were occurring before COVID-19 they have been accelerated by the pandemic.

In the face of a continued firming of the market, and ongoing profitability concerns, Insurers have tightened their underwriting, focused their appetite, and are becoming much more selective on the types and quality of risks they will write. High risk placements in various sectors are very challenging.

The impact of the shifting insurance market conditions for buyers means that pricing continues to rise, capacity is being withdrawn in several key lines of business and geographies, and terms are being tightened. Coverage restrictions are being applied and fewer coverage extensions are available. The underwriting process is

rigorous with an expansive level of information being required and a growing scrutiny on insured's risk management processes.

This is particularly evident across financial and professional lines business and also including marine insurance.



Professional Indemnity

The market is hardening and capacity shrinking in terms of the limits of indemnity being offered by Insurers, and this trend continues to deteriorate. Insurers are reducing capacity (resulting in huge challenges in securing and maintaining limits of indemnity), and looking for rate increases with higher excess and retention levels, for perceived high risk classes such as architects, engineers, construction related and other businesses.

Potential, reductions in limits of indemnity and a change in the basis of cover from "any one claim" to "aggregate" will present difficulties for businesses who are contractually bound to retain specific limits on a particular basis for a particular number of years and these are important considerations for any business where such issues arise or are being considered.



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Cyber

Ransomware, social engineering and phishing claims are having an impact and the expectation is that this market will harden. Insurers are also concerned about remote working and the security not being as it should be and the vulnerabilities this poses along with many companies migrating business operations online.



Directors And Officers Liability

Rates saw significant hardening at the beginning of 2019 and rate increases have continued to climb. Some sectors have been very hard hit as markets pull out and capacity has been more difficult to find. In fact, all sectors are experiencing the same challenges, while employment practice liability is bracing itself for claims arising from COVID-19, given concerns about home working, furloughing and redundancies, failure to implement safe working from home procedures, with additional challenges for companies with US exposures

We have also seen the introduction of cover restrictions, depending on the Insurer and their

appetite, for example, insolvency exclusions - which means Brokers are spending a lot of time trying to negotiate or find an alternative Insurer but given the current financial lines market this is challenging.

Whilst as a result of the impact of COVID-19 the expectation is that organisations will look for higher limits for their D&O coverage, the reality is that these limits will be very difficult to satisfy.



Commercial Crime

Cover has experienced difficulties also with decreases in the capacity available and rate increases.



Marine

Market losses over two to three years have resulted in a more thorough examination of risk information and limitation in coverage. In some areas like Mexico, it is becoming increasingly difficult to source coverage, thereby limiting the number of Insurers who are prepared to quote for risks where this is an exposure.



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How Can Buyers Prepare To Navigate The Changing Insurance Market

The market is becoming more selective and buyers need to be fully engaged in the renewal process.

The above requires a long lead in time and planning given the challenges in placing risks. Looking at the options, understanding what is important to the board, price? Limits of indemnity? Coverage? These are all important considerations.

Clients should share business and contractual agreements, all supply chain information and prepare themselves for many questions during the process.

Look at your limits of indemnity and your excess levels.

Given the changing market, buyers need to allow more time for their renewals, focus on claims management, develop a strong relationship with a Broker and Insurers, in order to deliver the best outcome.

Please contact us should you require any insurance advice in relation to these classes of business or on any other matter that may have affected your business at this time

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