

The changing face of the UK Insurance Market

A guide to hardening market conditions and how we can work
together to achieve the best outcome

The Hardening Market



The insurance market is experiencing a period of ‘hardening’, with insurers forcing higher premiums and more stringent terms and conditions. We can guide you through what is currently happening and the steps you can take to help mitigate the risks to your business.

Introduction

Analysis shows that UK insurance rates have been reducing in real terms for some time. This has resulted in insurance premium levels in many lines of business becoming unsustainable for insurers. The insurance industry is cyclical and for many years the market has been ‘soft’ with insurers competing for risks and market share.

The soft market

Soft market conditions lead to an increase in the capacity (supply) in the market, with competition tending to focus on price which ultimately negatively impacts on insurer margin and profitability.

Insurers have two main sources of generating revenue:

1. Premiums collected from policies issued
2. Investment income.

When interest rates are low insurers rely on underwriting profits. As costs and claims rise these profits are also under pressure fuelling a change in market conditions and the advent of a hardening market.



What do we mean by a hard market?



A hard market occurs when Insurers look to apply increased rates through certain product lines resulting in increased premiums.

The insurance market in general terms would say this move is long overdue and comes after a long period of reduced or flat (and often reducing) rates across many classes of insurance.

The current hard market is a culmination of a number of different factors, varying dependent upon the type of insurance.

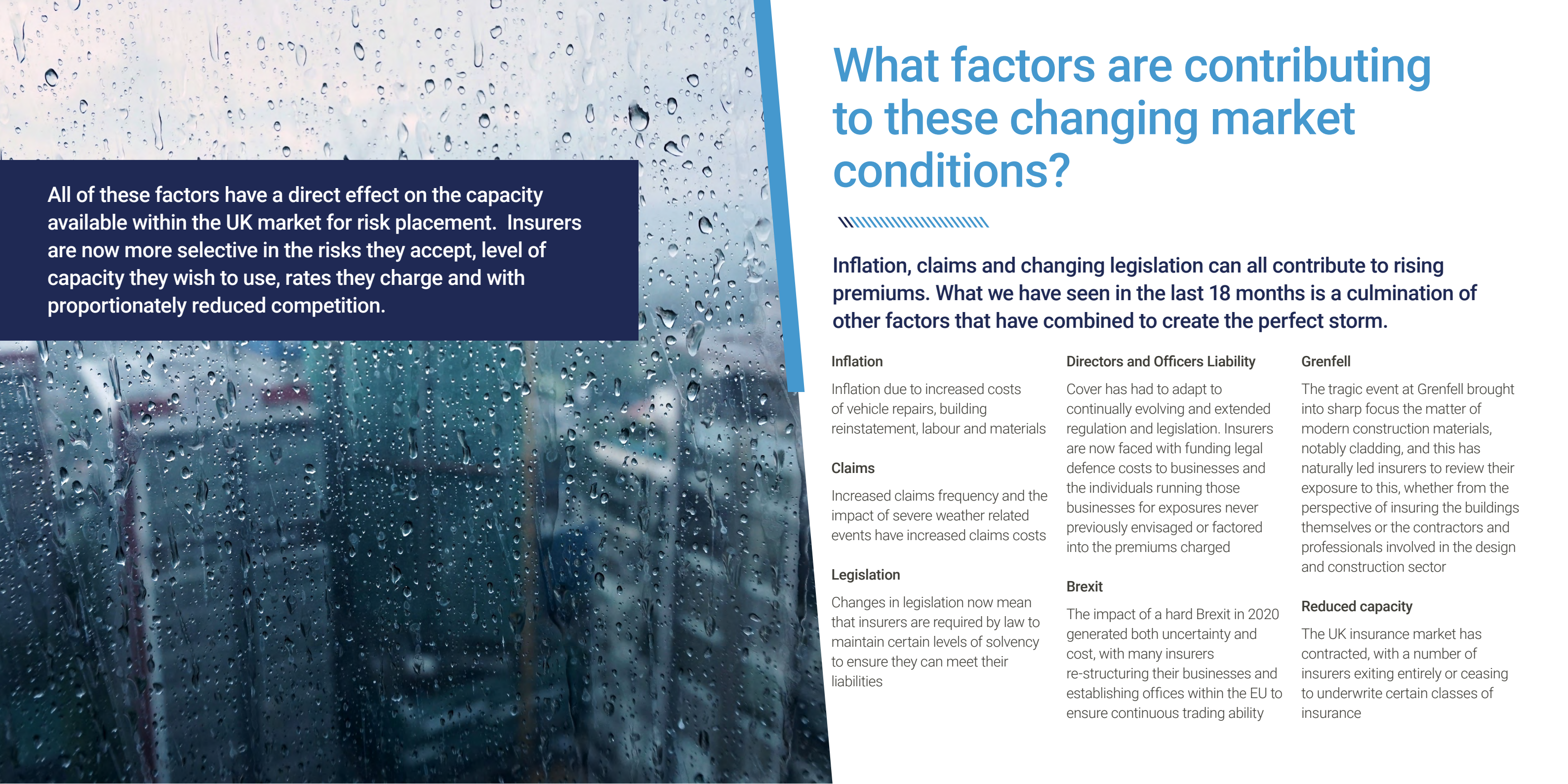
What are the characteristics of a hard market?

Insurers have reduced desire for growth resulting in restricted Insurer appetite to write new business

Insurers also re-evaluate their existing business exposures, risk appetite and capital they wish to utilise

This results in stricter underwriting, increased rates and reductions in limits being offered





All of these factors have a direct effect on the capacity available within the UK market for risk placement. Insurers are now more selective in the risks they accept, level of capacity they wish to use, rates they charge and with proportionately reduced competition.

What factors are contributing to these changing market conditions?



Inflation, claims and changing legislation can all contribute to rising premiums. What we have seen in the last 18 months is a culmination of other factors that have combined to create the perfect storm.

Inflation

Inflation due to increased costs of vehicle repairs, building reinstatement, labour and materials

Claims

Increased claims frequency and the impact of severe weather related events have increased claims costs

Legislation

Changes in legislation now mean that insurers are required by law to maintain certain levels of solvency to ensure they can meet their liabilities

Directors and Officers Liability

Cover has had to adapt to continually evolving and extended regulation and legislation. Insurers are now faced with funding legal defence costs to businesses and the individuals running those businesses for exposures never previously envisaged or factored into the premiums charged

Brexit

The impact of a hard Brexit in 2020 generated both uncertainty and cost, with many insurers re-structuring their businesses and establishing offices within the EU to ensure continuous trading ability

Grenfell

The tragic event at Grenfell brought into sharp focus the matter of modern construction materials, notably cladding, and this has naturally led insurers to review their exposure to this, whether from the perspective of insuring the buildings themselves or the contractors and professionals involved in the design and construction sector

Reduced capacity

The UK insurance market has contracted, with a number of insurers exiting entirely or ceasing to underwrite certain classes of insurance

What does this mean for you?



During a hard market cycle, it may be more difficult for businesses to find cover. Beginning the process early and committing the time is key. It is our role as a broker to work with our clients to establish the information we need to present your business to the right insurers in the right way. We will guide you through the process and obtain the cover your business needs at the best possible terms and with the service you deserve.

Here are our 5 tops tips to get the best possible outcome for your insurance renewal:

1. Early engagement

Engage with us early to discuss your cover requirements and any additional risks to ensure the terms sourced adequately meet your evolving business needs. This provides us with the time necessary to negotiate terms and conditions on your behalf

2. Choose wisely

As a broker with specialist knowledge of many sectors, we will present your business insurance requirements clearly. We know the right insurers to approach and will present your business risks correctly to ensure appropriate cover is arranged

3. Commit time to the exercise


We may ask you to spare us additional time to discuss matters in detail, obtain any relevant additional information, answer any specific insurer-raised questions and agree a strategy to help secure terms with minimal surprises. Investing the time in the process will provide a better result for your business

4. Mitigate risk

Investing in risk management support will not only improve the measures to mitigate risk in your business but can help with insurance costs. Pro-active risk management is a key factor in insurer's considerations. We work with PIB Risk Management Ltd to provide tailored advice and support to help reduce insurance costs and mitigate against any future risk

5. Customer service

Getting the best service is just as important as getting the best price, and arguably more so. We will ensure that your cover is responsive, and resulting claims are proactively managed to ensure the best outcome for you

 **Do the right thing – Be sure to consider additional cover such as Cyber insurance and Directors and Officers Liability cover.**

We're here to help

PIB Insurance Brokers are here to help and guide you through the changing market place. Our excellent market relationships with insurers allows us to get the best possible outcome for your business.

We have worked hard to ensure we are well positioned with insurer partners to work effectively for our customers through 2021 and beyond.



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