



The hardening insurance market: an increasing cost for
your members to consider
2020

**TAF AND SPECIALIST RISK GROUP SUPPORTING
YOUR ASSOCIATION AND YOUR MEMBERS**



THE HARDENING INSURANCE MARKET: AN INCREASING COST FOR YOUR MEMBERS TO CONSIDER

ALL INDUSTRIES GO THROUGH CYCLES OF EXPANSION AND CONTRACTION AND THE INSURANCE INDUSTRY IS NO DIFFERENT.

In insurance, we run on cycles of 'hard' and 'soft' markets, both of which can impact your member's businesses in different ways.

Currently, the insurance market is hardening, and this means that the demand for insurance exceeds the supply available by insurers. Characteristics of a hard market include low competition among insurers, increased premiums, reduced coverage, charges for cover extensions, harsher interpretation of claims and in some cases, there will be no cover available for clients. In short, a hard market can make it extremely difficult for your members to obtain commercial insurance cover at an affordable rate.

This is not the first time the UK has experienced a hard market however, this is the first hard market we have experienced since the early 2000s, a significant period of time.

WHAT HAS CAUSED THE INSURANCE MARKET TO HARDEN?

There have been several events and factors in the lead up to 2020 that have contributed to the hardening market:

- **Solvency II** – Insurers are having to double their reserves to meet the Solvency II requirement, leading to lower investments and less profit. Many insurers will therefore write less business or reduce their appetite to meet these requirements. To find out more about Solvency II, please click [here](#).
- **Ogden rate change** – The negative Ogden rate has significantly increased Liability rates, meaning large Personal Injury claims are here to stay for the foreseeable future. Therefore, the rates of most Motor and Liability books have had to increase to cover these additional insurer costs. To

learn more, please click [here](#).

- **Low Commercial Property Insurance rates** – At the end of 2019, the property insurance market was running on loss-making rates. Regardless of what was to happen in 2020, these rates would increase.
- **Flooding** – Despite the market already losing money, it is estimated that Storms Dennis and Ciara at the start of the year could cost the industry over £500 million Property Damage and Business Interruption claims. Unfortunately, due to climate change, flooding is only going to get worse and insurance rates will need to increase to reflect this.
- **Reinsurance rates** – Reinsurance premiums are

rising significantly, well into double figures and are estimated to increase by over 20%. You can learn more about increasing reinsurance rates [here](#).

- **Interest rates at an all-time low** – Insurers will have to set rates for profit, not just for growth as they do not have investment income to rely on as they have in past times.
- **COVID-19** – Although most COVID-19 disruptions were not covered by insurers, the small percentage of business interruption coverages that will respond are estimated to cost insurers billions of pounds. The full impact on the insurance sector with regard to other classes of business such as Directors and Officers together with Liability Insurance is yet to be established.



HOW SPECIALIST RISK GROUP CAN HELP

HOW THIS AFFECTS YOUR MEMBER'S COMMERCIAL INSURANCE

Unfortunately, a hard market will have a negative impact on your member's commercial insurance as insurers will write fewer insurance policies, some will pull out of certain markets and fewer insurers will be competing for new customers. As a result, it will often become difficult for your members to secure cover at a similar premium as rates are likely to increase at the next renewal, particularly for those operating in high-risk industries. These measures are not a way for insurers to protect profits, instead they ensure the insurer is financially secure enough to protect, insure clients and pay claims.

Due to the impacts caused by COVID-19, we are now entering a recession and therefore, businesses are understandably becoming more price-sensitive, making a hard market far from ideal.

Specialist Risk Group's outstanding relationships with insurers and high-risk underwriters in the insurance market allow us to negotiate comprehensive cover on competitive terms. In addition, we have extensive experience in providing innovative risk management advice and we will ensure your members have the correct risk management processes in place to protect your business, making it more appealing to insurers during the hard market.

Our expert team can undertake a review of your members'

existing insurance programme to highlight premium reductions, cover enhancements and service improvements we can make to lessen the impact of the hard market and ensure you get the best possible service from an insurance broker during this time. Please share this content and the link to our [complimentary insurance review](#) request form with your members who may be struggling to secure affordable cover during this time.

If you would like to find out more about how working with Specialist Risk Group can benefit your trade association and how we can further support your members through this time and beyond, please get in touch:

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