

Global FINEX - Directors' & Officers' (D&O)

State of the GB Market for Pension Trustee Liability Insurance

GB Pension Trustee Liability Insurance, FINEX

H1 2021







GB Pension Trustee Liability Insurance Market Overview H1 2021

- This update provides an analysis of the current conditions in the GB market for Pension Trustee Liability insurance and the impact this has on companies, pension plans, trustees and insurance buyers.
- Throughout the report, Pension Trustee Liability insurance is referred to as “PTL”.
- PTL insurance capacity in the GB market continues to be challenged, particularly for limits in excess of GBP25 million.
- The impact of new legislation in the UK which came into force in early 2021 is under review by insurers.
- International risks placed into the London market with US exposure are suffering from the ongoing excessive fees litigation in the US.
- Appetite for run-off or overlooked/missing beneficiary cover is even more limited than for ongoing PTL cover.



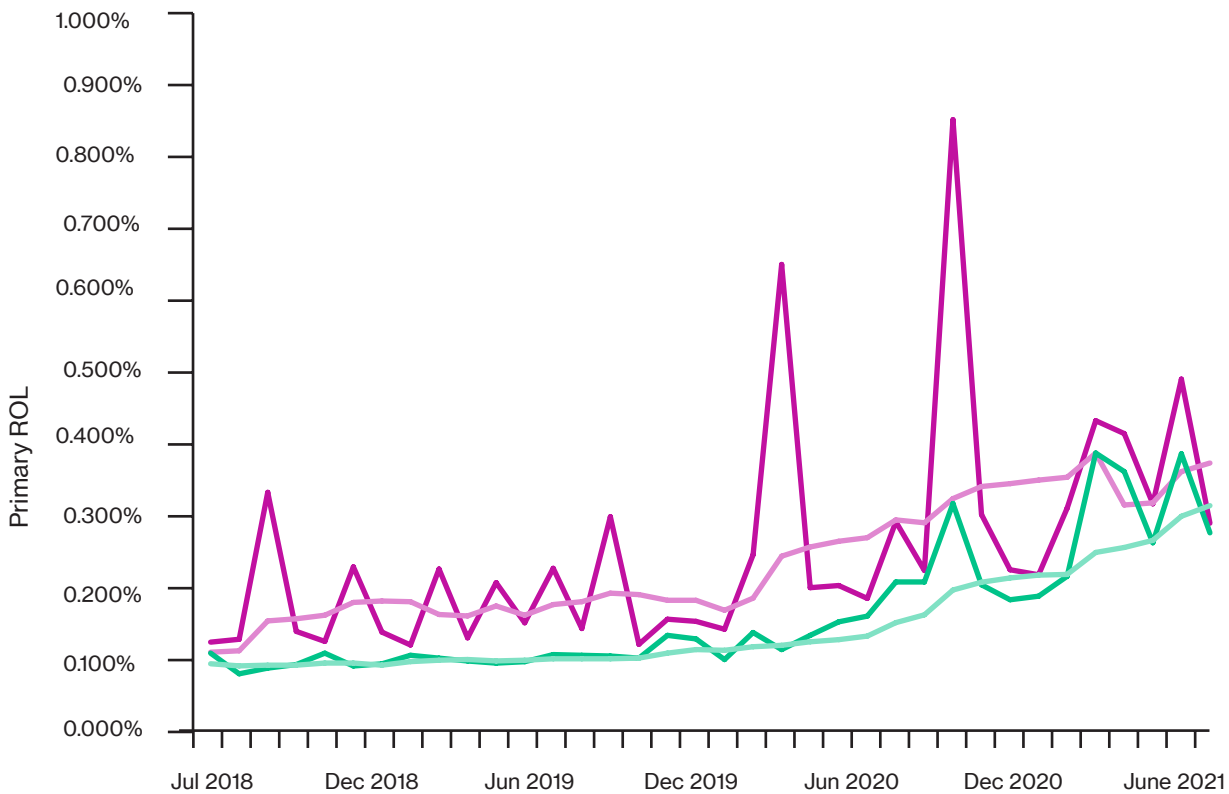
Current FINEX GB PTL Insurance Market Conditions H1 2021

 <p>Capacity</p>	 <p>Coverage</p>	 <p>Claims and Losses</p>	 <p>Premiums & Retentions</p>
<p>Reduced</p>	<p>More Restrictive Conditions</p>	<p>Significant</p>	<p>Increasing</p>
<ul style="list-style-type: none"> ▪ There are limited insurers in the GB market with appetite for PTL insurance, especially for large multi-national companies ▪ Some insurers who were willing to write PTL policies last year have been unwilling to consider PTL risks in 2021 ▪ More positively, we have not seen further capacity reductions from those insurers who continue to write PTL insurance this year 	<ul style="list-style-type: none"> ▪ Broad coverage is still available from some insurers ▪ Insurers more likely to offer terms on their own policy forms: growing reluctance to use other insurer forms or broker forms ▪ Some insurers have sought to remove cover for Sponsoring Employers 	<ul style="list-style-type: none"> ▪ Excessive fee litigation in the US continues to put pressure on pension plans with US exposure ▪ COVID-19 related lockdown and financial pressures are anticipated to give rise to increased complaints against pension trustees, although we have not yet seen this materialize in terms of increased notifications ▪ New powers for The Pensions Regulator came into force on 1 October 2021 and may lead to an increase in actions against trustees and other insureds (https://www.legislation.gov.uk/ukpga/2021/1/contents) 	<ul style="list-style-type: none"> ▪ Based on WTW data from WTW FINEX FINMAR client placements, sourced as at 6 August 2021, for renewals between July 2020 and June 2021, the average client saw an increase in their primary layer premium of 76% ▪ Larger increases in premium during this period (between July 2020 and June 2021) were often the result of a low initial rate being “corrected” by insurers ▪ The position for retentions is much less consistent, albeit there is an overall trend for increases.

Rate on Line (“ROL”) Analysis

Primary layers only

The monthly average ROL for primary layers steadily increased since the start of 2020, peaking in March and September 2020.



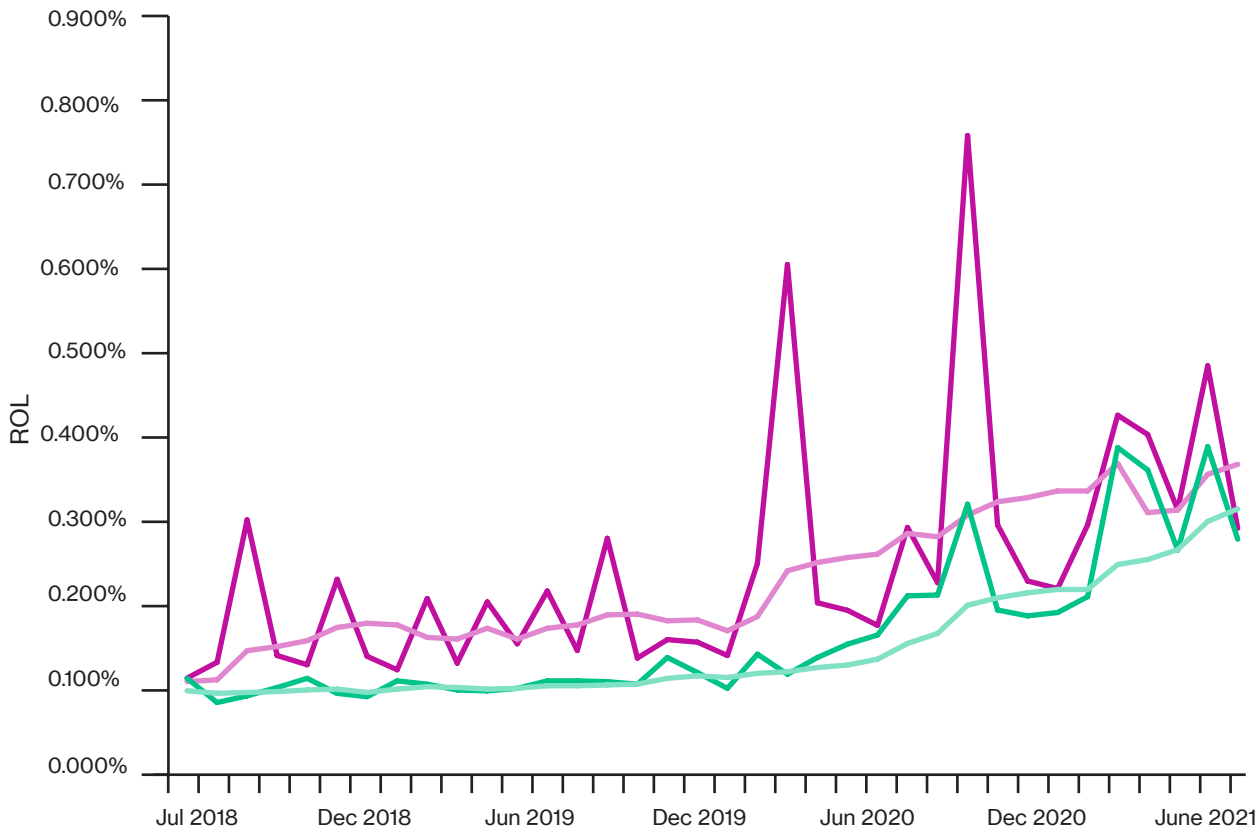
Source: Data from WTW FINEX FINMAR client placements, sourced as at 6 August 2021.

ROL is calculated by dividing the premium by the limit of liability that is being purchased and expressing that as a percentage. This shows the proportional cost of the limit of liability being purchased by each client.

Rate on Line (“ROL”) Analysis

Whole tower

The increases seen in ROL for primary layers, continues throughout PTL towers.



Source: Data from WTW FINEX FINMAR client placements, sourced as at 6 August 2021.

ROL is calculated by dividing the premium by the limit of liability that is being purchased and expressing that as a percentage. This shows the proportional cost of the limit of liability being purchased by each client.

PTL GB Loss Trends and the Future

- PTL claims remain relatively rare compared to other lines of business. There is no indication based on our claims data of any increase in PTL notifications since 2016 to support the increase in premiums seen over the last couple of years.
- Looking forward:
 - In July 2020, The Pension Trustee Ombudsman indicated that they anticipated increased complaints as a result of pressures put on trustees and plans in connection with the COVID-19 related lockdown (<https://www.pensions-ombudsman.org.uk/sites/default/files/publication/files/Corporate%20plan%2014%20July%202020.pdf>). So far, we have yet to see evidence of this crystallising in terms of an increase in notifications.
 - The new powers for the Pensions Regulator from the Pensions Schemes Act 2021 to sanction trustees and directors are due to come into force on 1 October 2021 (<https://www.legislation.gov.uk/ukpga/2021/1/contents>).



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