



Dark clouds over the insurance market

Less attractive terms and conditions and higher prices are in the horizon for many types of insurance, but more details about the risk can counter some of the deteriorations.

By Martin Wex

Larger profits. That is the simple goal for most insurance companies, who are looking to boost their revenues from insurance sales and, in particular, to reduce compensation payouts. As a result, many companies are either being refused insurance or being met with either worse terms and conditions or higher prices.

»The insurance companies have been losing a lot of money for several years, and the industry has now decided to stop the bleeding. This has meant that virtually all parameters have been tightened, so that insurance sums have been lowered while prices and deductibles have been raised,« says co-CEO & Head of Corporate Risk & Broking Camilla Elverdal from WTW.

The sizable losses are due to a combination of low interest rates, large international losses on natural catastrophes and, not least, an unfavourable development in the number of liability related claims. On top of that comes an expected loss due to COVID-19, which is also factored into the new prices and conditions.

A larger insurance market

WTW's 2021 Market Report provides insights into the development in 12 key insurance markets from 2020 to 2021, and each market has been measured on five parameters:

- Premium
- Deductible
- Sum insured
- Coverage
- Market supply

The 12 markets are not equally affected by deteriorated conditions and higher prices, but the insurance market can generally be described as hard. WTW's analysis shows that significant deteriorations have been introduced in the cyber, crime and project liability markets, while there has been little change in the motor and the travel and accident insurance markets.

In many cases, it is still possible to obtain the desired sum insured, but it is not always possible to find a single insurer willing to bear all of the risk.

»There is still plenty of capacity in the insurance market, but insurers have become much more restrictive about what they want to insure and how much of their capacity they want to make available – especially if they are uncertain about the risk. Therefore, it is increasingly necessary to place the risk with several different insurers, and we have in several cases reached out to markets outside our normal geographical area, thereby expanding the market for our clients,« says VP Torben Højlund from WTW.

Correct risk information makes a difference

It may sound a bit gloomy, but there are bright spots for the companies, who can do much to influence prices as well as terms and conditions in a positive direction, by giving the insurer a clear view of the risk.

»Insurance premiums and conditions are set on the basis of risk information, so it is vital that the insurer has detailed information about the risk when a new policy or renewal is taken out. This is a necessity if the company is to get a coverage that is tailored to its actual needs and to insure that the price is a clear reflection of the risk,« says Chief Broking Officer Jesper Danvad from WTW.

Insurers are increasingly demanding more risk information and also more details to get a more accurate idea of the risk. And it can have severe consequences if a company provides incorrect risk information – even if the company has made no deliberate errors or omissions.

»When damage occurs, we find that insurers are more thorough in examining the risk information to assess whether it has been sufficient and accurate enough, or whether the risk information provides a basis for denying the claim. It is therefore crucial that the risk information is complete and accurate, and not least that it is updated when changes occur,« says Jesper Danvad.

Denial of claims

In a recent court case, the judge ruled in favour of the insurance company that had rejected a claim because the risk information was incorrect. The building, that burnt to the ground, was insured, but the use of the building was incorrectly declared. Therefore, the DKK 50 million claim was rejected.

»It is a difficult task to provide the exact information that is required by the insurance company. This is probably also the reason why more and more companies seek assistance from insurance brokers, who have the skills to assess and describe the risk and find the insurance companies that offer the most optimal terms and conditions at the most attractive price,« says Jesper Danvad.

WTW has developed a range of analytical tools that draw on extensive industry data and can provide a deep understanding of each client's risks. Contact your usual WTW client team to find out more about how we can help you.



It is vital that the insurer has detailed information about the risk when a new policy or renewal is taken out

Jesper Danvad
Chief Broking Officer