



The insurance market is headed for brighter days

WTW's Market Report 2022 tells the story of an insurance market in recovery, but also about a new reality with high inflation and rising interest rates.

By Martin Wex

Stagnant prices, fiercer competition and ample capacity. That is the general picture of the insurance market in 2022. Thus, there are early signs of a softening of the very tough insurance market in recent years. However, the softening does not in any way mean that it has become easier to take out insurance, as the insurance market is affected by high inflation and rising interest rates, and because insurance companies are making new demands.

»Virtually all insurance companies are today placing high demands on companies to work proactively with prevention and require very detailed and comprehensive documentation so that the insurance company can make an accurate assessment of the risk. The focus on efforts to document and reduce the risk is often a prerequisite for insurance to be taken out at all – and for the insurance premium to be affordable,« says Chief Broking Officer Jesper Danvad from WTW.

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Jesper Danvad | Chief Placement Officer

WTW's Market Report 2022 contains an overall analysis of the insurance market in light of the many new challenges that have affected companies in all industries during 2022 – not least the historically high inflation, the energy crisis and the supply crisis, which has created shortages of wood, steel and electronics, among other things. These are challenges that also have an impact on the insurance companies' risk assessment – and thus an impact on premiums and conditions.

»The supply crisis makes it both harder and more expensive to find spare parts, and therefore it not only becomes more expensive

to repair damages, it also takes significantly more time. This has an impact on, among other things, building damage, auto damage, liability damage and consequential loss – and of course it affects the insurance companies' costs,« says Jesper Danvad.

Continuing hard marked for cyber insurance

The market report takes the temperature of 13 key insurance markets, and not all markets have developed favourably from 2021 to 2022. In particular, the cyber insurance market continues to develop in a less than fortunate direction.

»There has been a significant increase in both the number of claims and in the total loss per claim, and this has caused massive losses for the insurance industry. Therefore, we have seen sharp price increases, higher deductibles and new scopes of coverage. We also see that in several cases, insurance companies choose to reject a request to take out insurance if the company has not done enough to avoid data security breaches,« says Cyber Specialist Mathias Bauch from WTW, pointing out that there is also reason for cautious optimism.

»We are beginning to see the first tentative rays of sun on the horizon as Danish companies increase their overall IT maturity and insurance companies begin to balance claims costs and premium income. These factors give confidence in a future with more predictable and stable prices,« says Mathias Bauch.

WTW has just launched WTW Cyber Defender, offering help to understand, insure, and manage cyber risks. WTW Cyber Defender is developed in collaboration with Truesec, a cybersecurity specialist.

Prevention over insurance

The analysis of the 13 insurance markets describes the development from 2021 to 2022, but also focuses on the options companies have to reduce risk and achieve better prices and conditions. It is very much about well-thought-out and well-documented prevention – an effort that requires thorough analyses and relevant tools.

»Everyone has an interest in avoiding damage, and therefore our advice is always based on how we can help our customers prevent damage and limit losses. We are also seeing an increasing interest in analyses and tools that can minimize the risk of damage and create the most optimal preparedness if the damage does occur. It's basically about being well prepared for what you don't want to happen, which can turn out to be a really good investment when the damage occurs,« says Executive Vice President Torben Højlund from WTW.

He also points out that WTW's risk analyses not only have a preventive effect, but are also an important tool in the dialogue with the insurance company, because they provide an accurate picture of the risk – and thus help ensure that the company gets the right coverage at the right price.

WTW's risk analyses are available in different forms and versions to suit all types and sizes of companies.



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