



A more diverse insurance market

Prices in the insurance market are levelling off after several years of significant increasing prices for virtually all types of insurance. In return, insurance companies have increased their demands on companies.

By Martin Wex

Tougher competition. This is the main reason why premiums for some types of insurance are expected to remain unchanged or decrease – after several years of significant increasing prices. That is one of the conclusions in WTW's new report 'Risk Management, Trends and Insurance 2023', which describes current trends in the insurance market and analyses the development of premiums, deductibles, sums insured, coverage and supply for 13 key insurance types.

»The rising insurance prices in recent years have created a renewed interest from more insurers, which has increased the supply and is expected to lead to stagnant or even falling prices for several types of insurance in 2024. This is obviously good news for companies, but what continues to be even more important is that the terms and conditions match the company's needs – and there is still a need to keep a close eye on this, because the insurance companies have in many cases tightened the terms and conditions,« says Chief Broking Officer Jesper Danvad from WTW.

WTW's analysis shows that it is primarily property, marine cargo, and, in particular, directors and officers insurance that are likely to see better prices, terms and conditions, while tougher demands are expected to be placed on construction, crime, and employment practice liability insurance.

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Torben Højlund | VP, WTW

Small is better

The insurance companies have generally become more cautious about the risks they are willing to take on, and as a result, they have begun to look at clients from a different perspective.

»Clients used to be viewed holistically, which led some insurers to overlook negative results on one of the company's policies as long as the majority of the company's other policies were profitable. Now, insurers are applying profitability considerations to each individual insurance product, and this places

renewed demands on companies,« says VP Torben Højlund from WTW.

According to Jesper Danvad, the increased focus on profitability has led insurance companies to shift their interest from larger companies to small and medium-sized enterprises.

»If an insurance company has to choose between one large client – and thus risk – and a handful of smaller clients, the choice will more often be the latter. The small or medium-sized enterprises offer greater risk diversification and often also better profitability,« says the chief broking officer.

The new market dynamics are a welcome help to the many small and medium-sized enterprises in Denmark when insurance policies are to be established or renewed. For the larger and often also international companies, however, the insurance companies' new course creates a need for a different approach to risk management.

»There are fewer insurers to provide the heaviest solutions, and the remaining insurers offer smaller shares of the risk than before in order to limit their own risks. Whereas a solution for a major client previously required five to seven insurers working together in a so-called co-insurance, the same solution now requires perhaps 10 or 15 co-operating insurers,« says Torben Højlund.

Greater demands for documentation

Common to all companies – regardless of size – is an ever-increasing demand for documentation and risk prevention. The company must actively invest in identifying and preventing its biggest financial risks and must be able to document its efforts so that the insurance company has a clear idea of the risk involved.

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»Investments in prevention have always benefited companies, but where a lack of investment previously simply meant that it became more expensive because fewer insurers wanted to participate, there is now a risk of not being able to take out insurance at all if you do not take your prevention and risk documentation seriously,« says Torben Højlund.

WTW has developed risk analyses, which, according to Jesper Danvad, are designed to

provide insurance companies with documentation and insight into their clients' risks in order to ensure the best possible prices, terms and conditions.

»We are aware that small companies have less room for manoeuvre for this type of analysis than large companies, which is why we have put a lot of effort into developing solutions and concepts where we work together on behalf of several clients. This helps to keep costs down without compromising on either the insurance solution or our recommendations for prevention,« says Jesper Danvad.

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