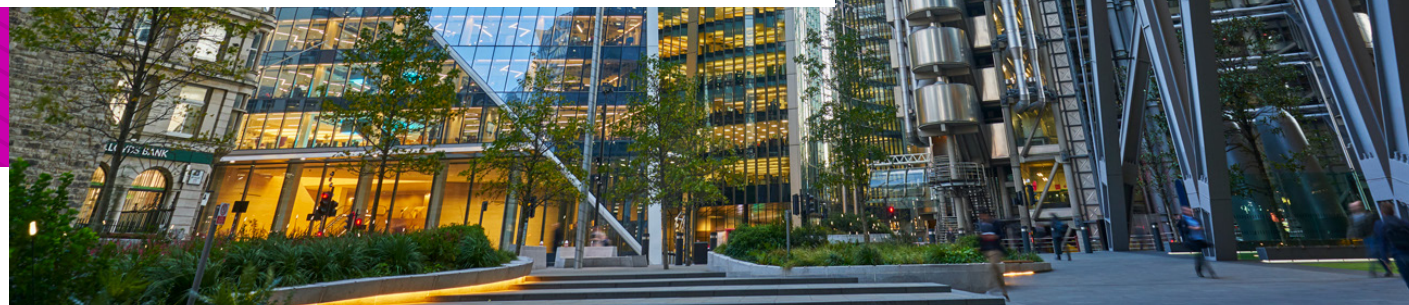


Professional Indemnity Insurance

GB Market Update – Q1 2023



This update analyses our observations of the current market conditions based on our existing clients. It is not a review of the whole market. All premium rate changes are for guidance only and vary depending on risk profile and individual circumstances.

The Professional Indemnity (PI) insurance market continued to be a challenging environment over the course of 2022, with insurers continually reviewing coverage and restrictions. As a result of economic uncertainty and the ongoing conflict in Ukraine, there is an increased scrutiny on any potential sanction touchpoints.

However, as we navigate 2023, there are signs of competition between insurers which were not seen during the preceding years' harder insurance market, giving our clients cause for some positivity in respect of premium rates looking forward.



Capacity and Rates

- Throughout 2022, we saw competitive tension in certain sectors such as construction and non-regulated sectors, with some insurers willing to consider quoting against incumbent markets.
- Overall capacity has started to stabilise with a willingness from some insurers to deploy additional market capacity.
- Albeit early in 2023, we are beginning to see a willingness from insurers to consider writing risks that would have previously been outside of their risk appetite.
- Premium rate reductions are not widely available in the current insurance market, however, with an increased number of insurers willing to compete for business, it is becoming increasingly difficult to impose significant increases.



Coverage

- Some clients are experiencing challenges to coverage enhancements.
- There is an increased scrutiny by insurers around sanctions clauses as a result of the ongoing conflict in Ukraine, often requiring bespoke clauses and additional information around sanctioned touchpoints.
- We are experiencing a continued reluctance from insurers to offer “any one claim” limits, with aggregate limits more prevalent and “round the clock” reinstatements often requiring a higher total limit of indemnity to be purchased.
- There is continued scrutiny on self-insured retentions with insurers requiring their insureds to retain more risk.



Premiums

- For primary layers renewing Q1 2023 onwards, we would anticipate premium rate increases up to 5%, with some insurers budgeting for a very minimal increase, if not remaining flat.
- We are experiencing some higher premium rate increases on excess layers as insurers now perceive these layers as being more exposed due to the increased severity of claims and increased cost of deploying capacity.



Claims

- In our experience, a more forensic approach to claims with increased scrutiny in the first instance is becoming more common practice.
- Construction PI claims have experienced heavy losses across annual and single project policies. The increase in cost of materials is also having a significant impact on claims costs.
- As a result of the Defective Premises Act, we anticipate an uptick in notifications to follow.
- For law firms, commercial property claims are likely to increase as tenants and landlords review their leases. The post-pandemic landscape has brought about a sudden need for businesses to potentially re-shape, as events like this raise issues and processes that may not have been in place previously.
- Insurers are anticipating increased tax and audit claim volumes from accountants as a result of the current financial market conditions, including rapidly rising interest rates and inflation.
- Emulating previous economic downturns, we are expecting an increase in claims from all areas as the economic situation deteriorates.

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FPS4570929 WTW-FINEX 546705/04/23

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Client takeaway

Despite the challenges being faced in the PI market, working closely with our specialists to identify your key drivers and demonstrate strengths, will assist in achieving the most favourable outcome for you in the current market conditions. WTW has specialist capabilities in PI and is always striving to deliver value for our clients. Our WTW PI team leaders would welcome the opportunity to have a further discussion with you:

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