Risk managers urged to sell their risks as tough market intensifies

◇ MARKET

Adrian Ladbury and Ben Norris
news@commercialriskonline.com

European risk managers must focus on selling their risks to insurers and delivering the best information possible as the market looks set to harden further in the year ahead, advised panellists who took part in a debate on the state of the corporate insurance market during *Commercial Risk Europe*'s annual conference with Belgian risk management association Belrim.

The panel discussion took place as other leading buyers across Europe and their associations warned that poor communication from insurers and unacceptable delays in delivering quotes are making life very difficult for customers.

Panellist Carl Leeman, vice-president of Belgium's risk management association Belrim and chief risk officer at international logistics firm Katoen Natie, said Belgian risk managers have also reported unacceptable behaviour from their carriers as they reel from the impact of Covid-19.

Mr Leeman stressed that there is no excuse for poor communication and knee-jerk reactions from insurers that can leave their long-term customers in a very difficult position and scrambling for adequate capacity at the last minute. He said insurers need to get their act together.

Widespread rate increases in the insurance market are making life difficult for risk managers

"On renewals, many buyers aren't pleased with what is going on. They [insurers] are going very slowly, there is more and more communication with headquarters, there are bottlenecks being created and this means everything takes much more time than it should," said Mr Leeman at the event, which was partnered by AIG, Chubb, CMS, Howden, Sompo International and Swiss Re Corporate Solutions.

"If we had increased rate of 5% or even 10% without cutting the coverage and limits it would be a completely different situation. Then, even 5% rises this year and 5% next year would be more digestible for buyers. But in this market, all of a sudden half your capacity gets cut, a number of coverages go away and you have a 30% or 40% increase in rates," he added.

HERE TO STAY?

The bad news for buyers is it doesn't look like the market is going to get

6 ➔

any easier soon. Everyone seems to think things will remain tough for the foreseeable future

Thomas Mannsdorfer, EVP, head of European specialty insurance underwriting at Sompo International, believes the market hardening will continue for the next year or two, and may even accelerate.

"Will the hardening still accelerate? My personal opinion is, yes it will. We are probably going to have a hard market for another 18 to 36 months… clients may have to make some very tough choices. They may have a budget for buying certain insurances and there could be reduced limits," he said.

Mr Mannsdorfer said the insurance industry needs higher pricing because of soft conditions that held for 15 years, but is trying to reward loyalty from, and relationships with, clients.

Fred Kleiterp, CEO of EMEA for Swiss Re Corporate Solutions, agreed that the market hardening is not over yet. "I would not put a timeline on it, but looking at the loss burden and the interest rate, I don't believe this hardening is over," he said.

"That is driven by loss burden but also by the extremely low interest rate environment. So the market needs to make returns on the underwriting side of the balance sheet. So, combined ratios of reinsurers and insurers need to get below 100%," he added.

SELLING RISK

The big question is: what should risk and insurance managers be doing right now to make sure they are not left high and dry at year-end?

Mr Leeman advised them to proactively sell their risks to the market and make sure they deliver the right information to help with underwriting decisions. He also said risk mangers ought to explore options with local carriers, which are often not as preoccupied and impacted by

"Buying is selling. You should sell your risk to the insurer, making clear what your risks are"

the global trends challenging international insurers right now.

"Buying is selling. You should sell your risk to the insurer, making clear what your risks are. Put yourselves in the shoes of the insurer and what they really want to know. You must be open and clear so there aren't any surprises for either party," said Belrim's vice-president.

"Secondly, I think there is a big opportunity for smaller and local insurers that don't carry the big losses of those covering big nat cats and liability claims in the US. Most of those big insurers are also involved in D&O claims. I have a solution already with a smaller insurer in my renewal that doesn't have to bury those heavy claims. This obviously only works for local risks and not those in the US or other sensitive locations," added Mr Leeman.

The risk manager said partnerships between customer and carrier need to be worked on carefully. He noted that relationships are currently strained but he does not believe this will lead to a long-term breakup.

"The situation between insurers and their clients is a bit like a marriage. Sometimes you have disputes but at the end of the day, you have to continue living together and move on. So, we are in a dispute but it won't be a divorce," he said.

KEY INFORMATION

Herman Kerremans, chief executive officer at Howden Belgium, the recently launched Brussels office of the fast-growing international broking group, also advised risk managers to begin renewals as early as possible. He said it is vital that the right information is delivered to help negotiations, especially with more complex risks and global programmes.

"A sloppy file will not help you… selling your risk is key. This is another reason why you must start renewals early," said Mr Kerremans.

"Some underwriters are asking questions that are not understood or considered relevant for the renewal. So, my advice is to keep an open communication and negotiate what information is really needed and what can be provided later on in the process, so you can speed up the renewal," added the experienced broker.

He said risk managers should think about starting renewals six months before they are due, especially for complicated global programmes.

Mr Kerremans has also seen some behaviour from insurers that needs to be carefully monitored.

"I don't like when, from time to time, they wait a long while to come up with a proposal. And then sometimes proposals are withdrawn suddenly, for not well-understood reasons. We need to carefully manage this behaviour," he told delegates.