



airmic

## Pulse survey report

Insurance market  
conditions

January 2023

## Executive summary

1. The perception from members is that the insurance market is softening, although a significant number of respondents believe market conditions will continue to deteriorate in 2023.
2. The pace of increase in directors' and officers' liability insurance (D&O) premium rates is slowing.
3. Challenges in cyber continue with excessive demands for data and delays in delivering terms, often for too little cover at too much cost.
4. Airmic members would like to see greater willingness from the insurance market to engage with members on designing policy coverage to meet their needs.
5. Other challenges for members include global instability, market volatility, and the need for better understanding and support for ESG initiatives.

Airmic regularly conducts a series of pulse surveys among its members, to gauge insurance market conditions. Results from the latest survey conducted in December 2022 continue to suggest signs of 'green shoots', where the pace of the premium increases is slowing – but there are still challenges ahead.

Besides inflationary pressures at a record high, extreme weather events and other natural catastrophes together with economic and political pressures will give cause for concern. While the UK has not been hit as badly with these events, reinsurers are inevitably increasing rates which will of course be passed on.

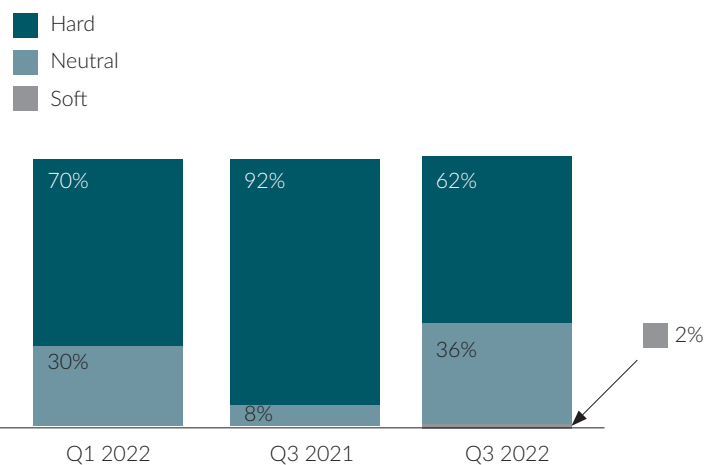
All of this has contributed to a gruelling renewal process for Airmic members, exacerbated by excessive demands for data and delay in delivering terms. The use of captives has grown as Airmic members increasingly seek alternative means of risk transfer.

Geopolitical and geoeconomic risks may often lie beyond the insurance market. But where cover has been available, a retreat of capacity was witnessed, including risks associated with events in Ukraine.

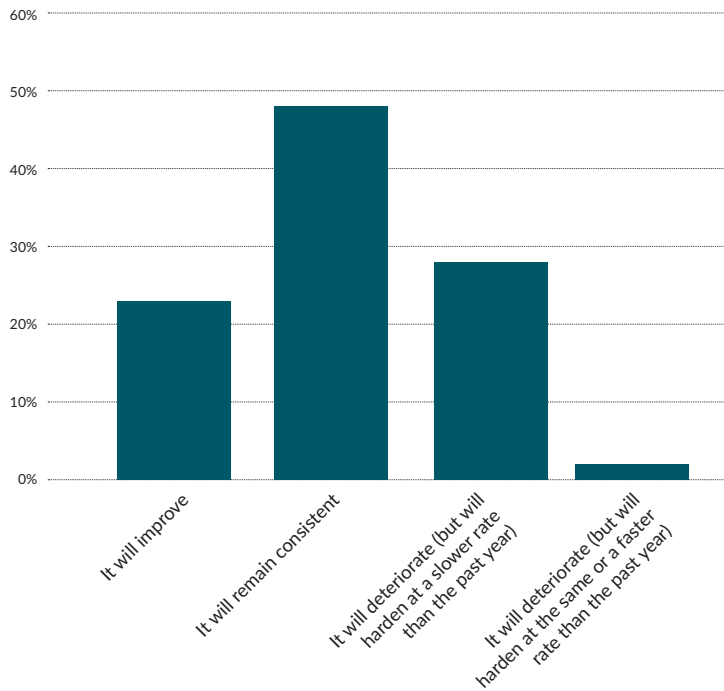
The perception is that the insurance market is softening, though 30% of respondents still believe market conditions will deteriorate in 2023.

There are signs of 'green shoots' where the pace of the hardening of the insurance market is slowing. The trend since 2021 is that fewer respondents are saying that they find themselves in a hard market.

How do you perceive the insurance market currently to be?



### How do you expect the insurance market to be in 2023?



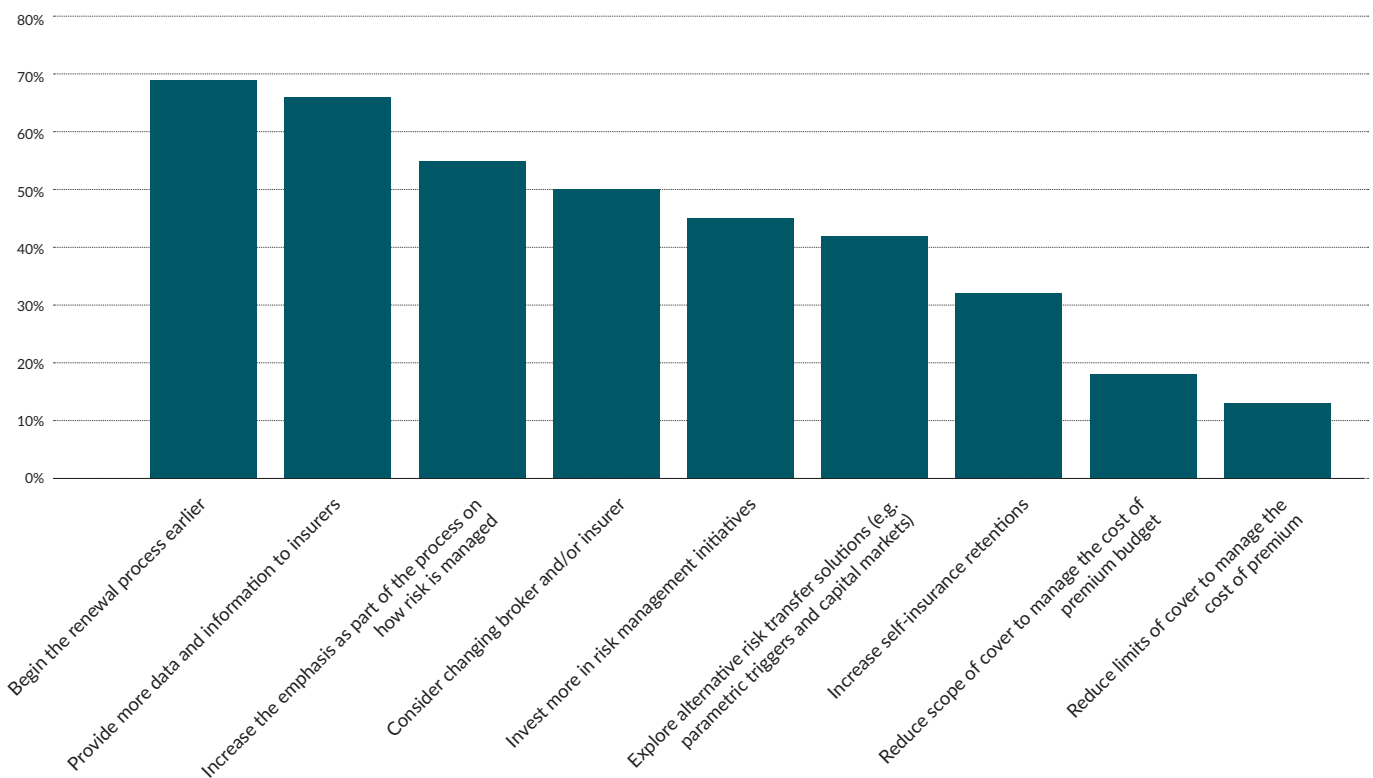
After a period of large premium increases together with restrictions in cover, it is pleasing to see some stabilisation in certain areas.

With global economic and political headwinds businesses are looking for value in every dollar they spend. The value of insurance is being discussed in the boardroom.

We need to work as an industry to deliver that value by meaningful cover at a fair and sustainable price together with expert, analytics, advice and knowledge."

- Keith Jury, Airmic member

### How will your approach to renewals change in 2023 in view of the latest market environment? (Select all that apply)



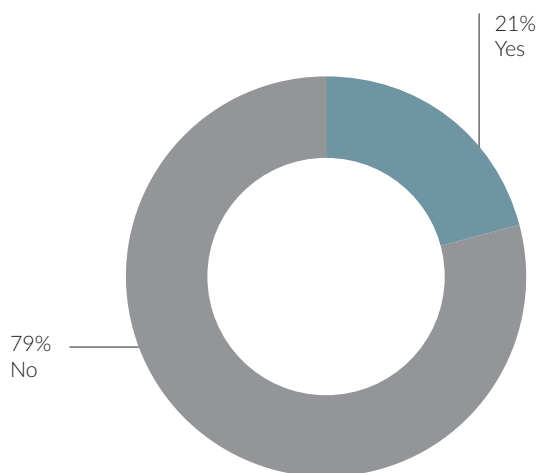
As Environmental, Social and Governance (ESG) issues are playing a bigger role in underwriting strategies, there has been a shift in attitudes on the part of insurers.

Besides asking more questions than before, insurers are introducing new standard clauses relating to ESG.

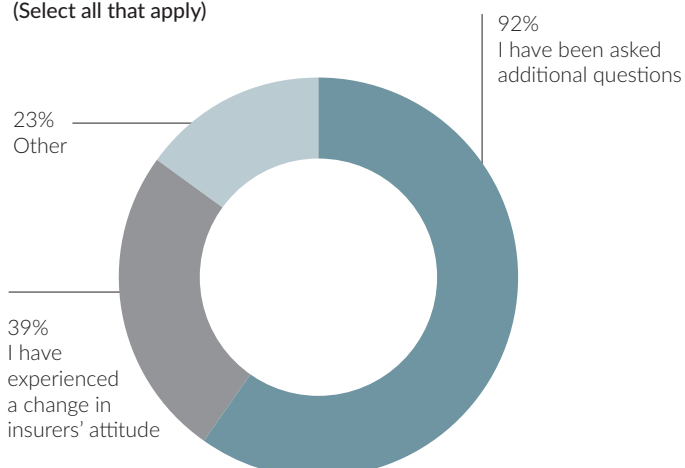
In an August 2022 survey of insurers conducted by Marsh, 79% of respondents indicated they would offer incentives such as premium credits, or more favourable terms and conditions, to insureds which show positive ESG metrics.

There needs to be more collaboration in the insurance industry on how to deal with climate risks, and on the measurement, management and risk financing of those risks, in view of the climate commitments insurers have made through the Net-Zero Insurance Alliance (NZIA) and other initiatives involving insurers.

For your latest renewals, have you experienced any ESG-related conditions in your insurance policy wordings?



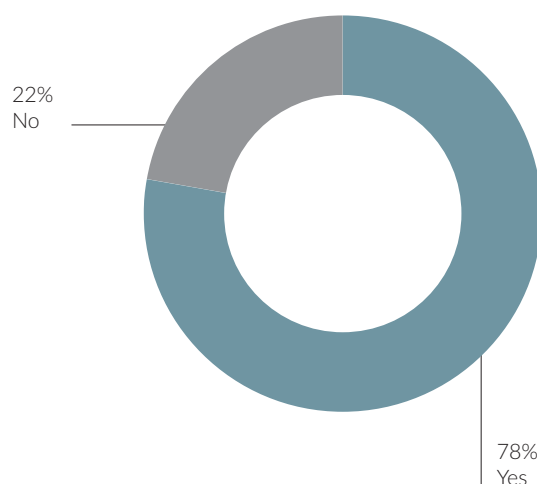
If you answered 'yes', what have you experienced?  
(Select all that apply)



What insurers are looking out for in the quality of your risk management.

Besides the risk controls that insureds have put in place in their organisations, insurers are also looking at the governance of risk management, and its day-to-day application, during renewals.

Do your insurers take into consideration the quality of your risk management when negotiating your renewal?



**At Marsh, we regularly scan for macro trends that may have an impact on our clients. By engaging with a wide selection of carriers about how they consider Climate and Sustainability within their underwriting, we are able to better support our clients on how their risk transfer partners may start to consider non-traditional attributes. This, combined with our innovative ESG Risk Rating tool can help position our clients for whatever changes that may occur."**

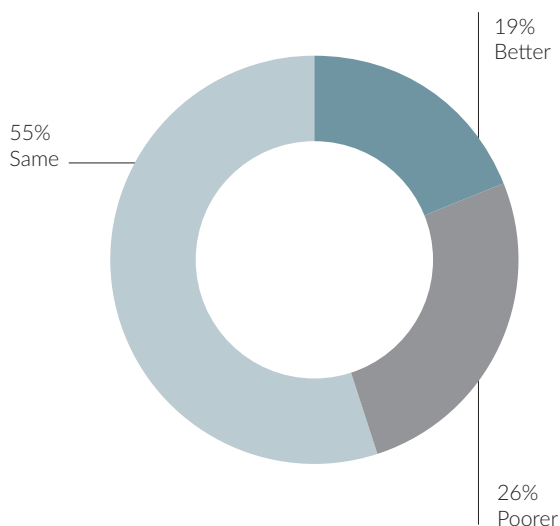
- Ryan Bond, Head of Insurance Innovation for Climate and Sustainability, Marsh

## Instead of asking for more data, the communication that insurers and brokers have with their customers needs to improve

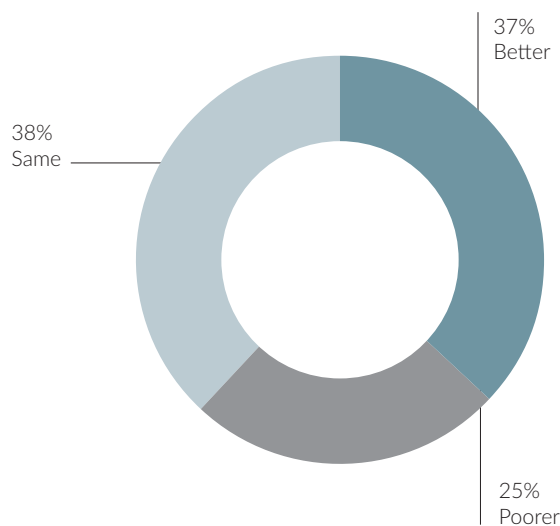
In the course of their cyber renewals in particular, Airmic members say they are facing increasingly excessive demands for data which they believe are not always material and a growing list of questions which they believe can be streamlined.

Airmic members also fear that the gold mine of sensitive data in transmission to or sitting with their insurers presents a security threat to their businesses – which would be ironic, given that they have shared such data in order to purchase cyber cover.

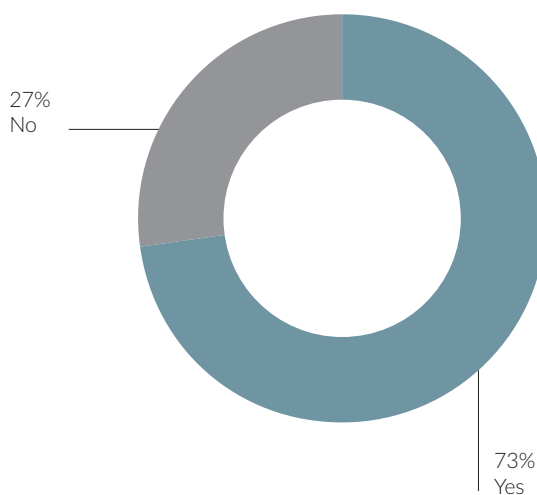
Communication from insurers:



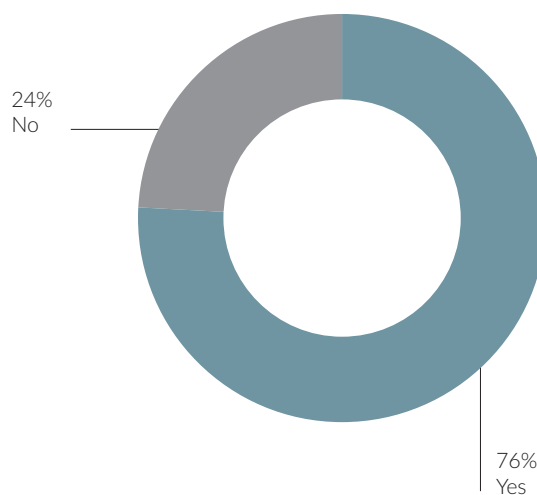
Communication from brokers:



Do your brokers encourage your insurers to have direct contact with you?



Do you meet with them regularly?



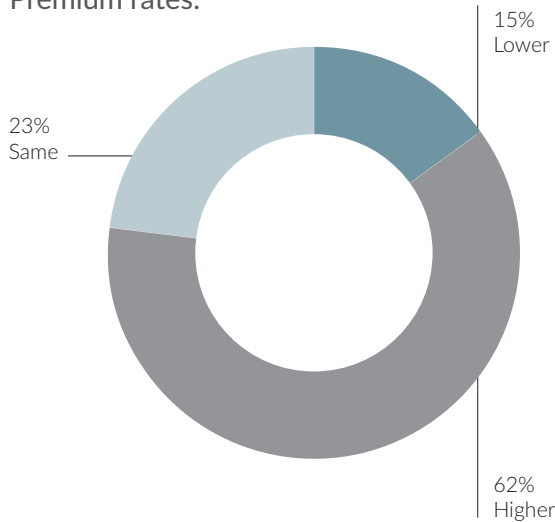
The pace of increase in D&O premium rates is slowing. Meanwhile, challenges in cyber continue for insureds, costing too much for too little cover.

Respondents generally reported how relatively straightforward their latest D&O renewals had been compared to the last two years, while benefitting from rate reductions and additional capacity.

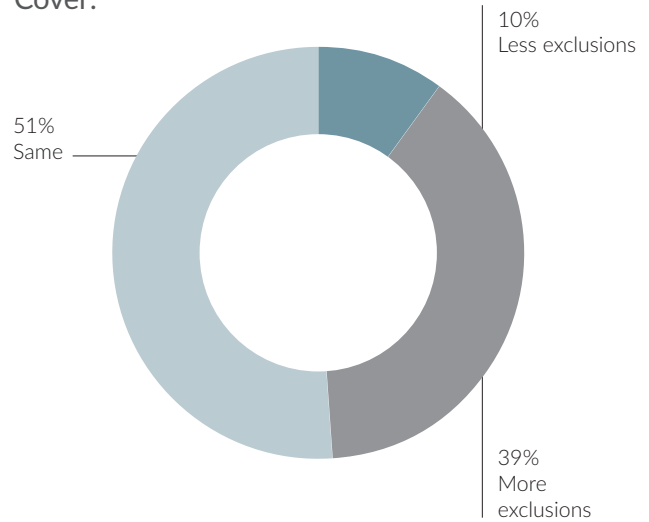
Nevertheless, in general, they are seeing higher premium rates accompanied by more exclusions – mostly notably in their cyber policies.

Compared to the previous year, what characteristics did you see in your latest renewals in general?

#### Premium rates:



#### Cover:



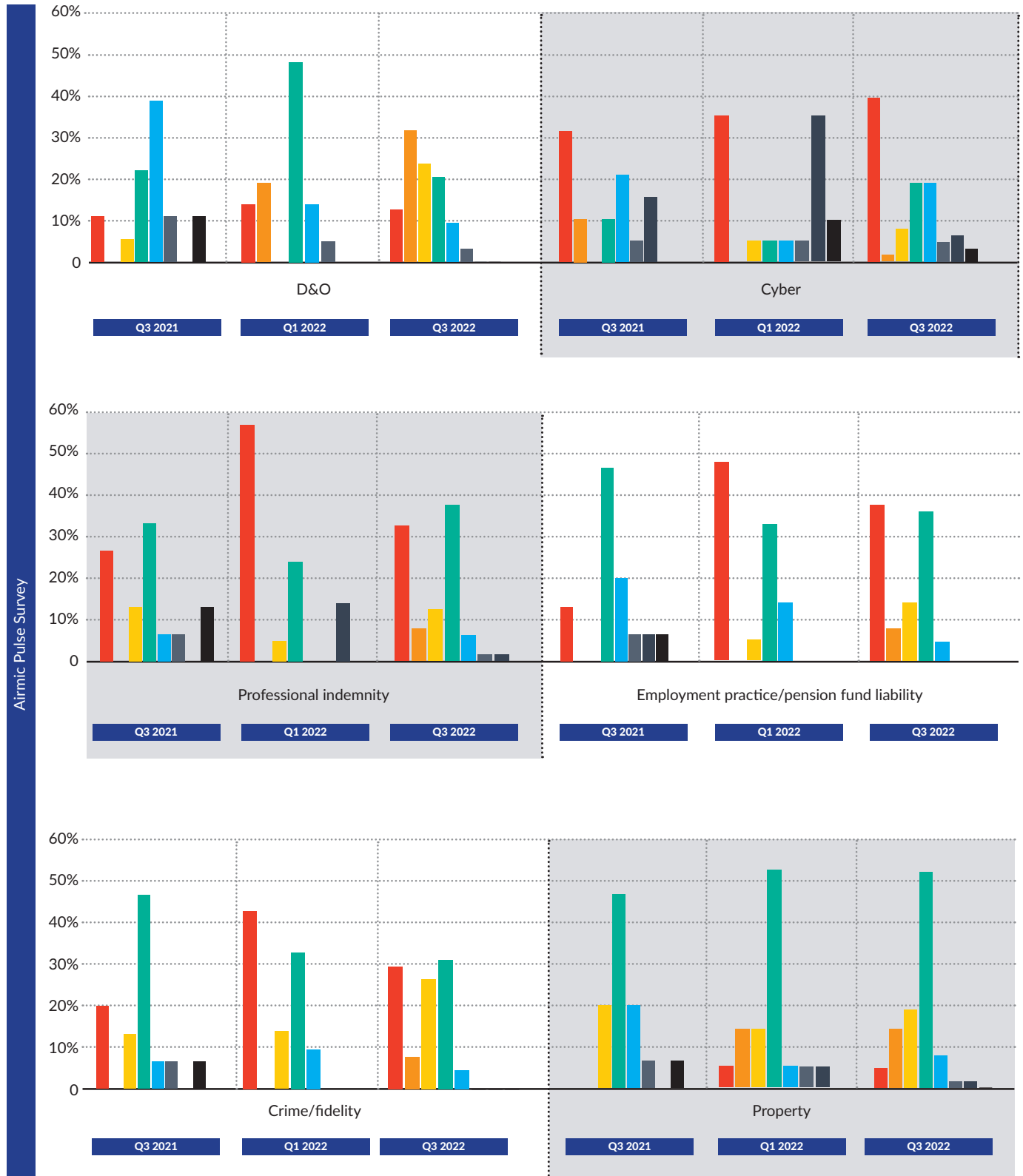
Mactavish believes that the aggregate impact of successive crisis or significant economic developments including Brexit, Covid, the Ukraine War, inflation, interest rates, political turmoil are all leading to significant changes in almost every part of every sector, and this is both changing risk and changing where risk resides in terms of ownership.

This has significant implications for both risk management and insurance, and we don't believe we have yet seen the impact of this on insurance pricing and we won't until the longer-term impact of these multiple crisis starts to come through in a change in the pattern of low probability, high severity loss events. We expect the next five years to be very difficult for the insurance market with a growing number of surprises in terms of loss trend developments."

– Heidi Carslaw, Managing Director, Mactavish

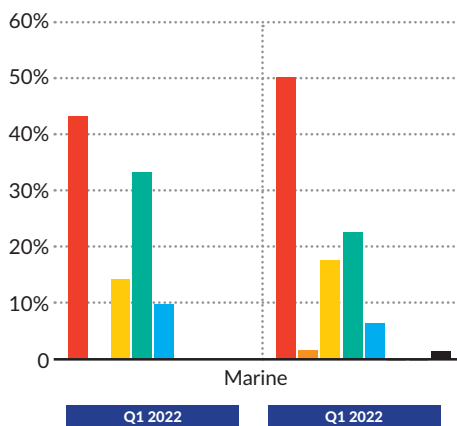
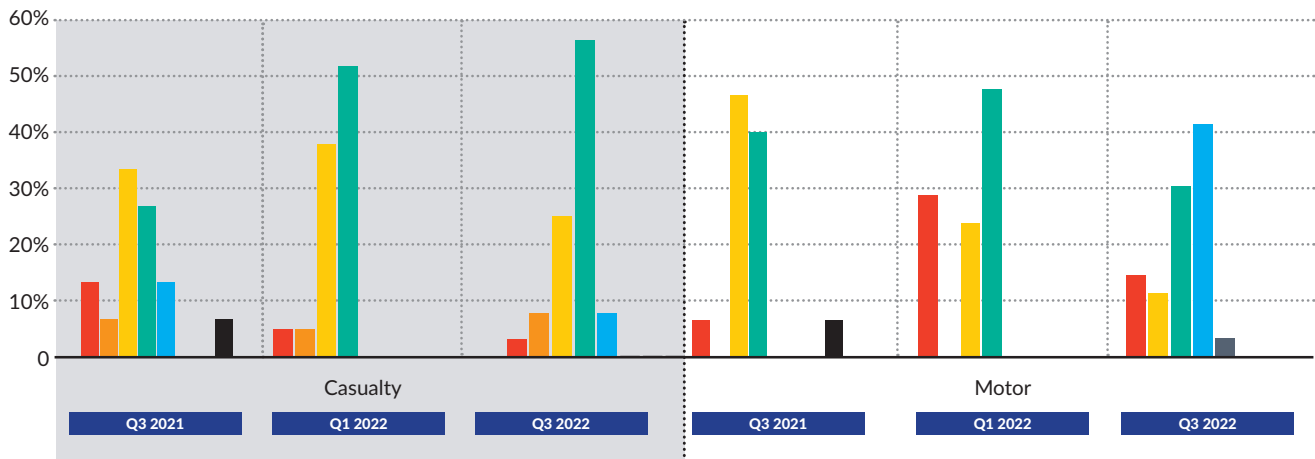
## If you purchased the following lines, what rates changes did you experience?

● Not applicable   ● Decrease   ● No increase   ● Less than 20%   ● 20% to 50%   ● 50% to 100%   ● More than 100%   ● More than 400%



## If you purchased the following lines, what rates changes did you experience? (Continued)

● Not applicable ● Decrease ● No increase ● Less than 20% ● 20% to 50% ● 50% to 100% ● More than 100% ● More than 400%





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