



The Harsh Market

Moving Forward Together
Future of the London Market

March 2022

Airmic regularly conducts a series of pulse surveys among its members, to gauge insurance market conditions. The latest survey conducted in March 2022 focused on whether the harsh market is softening, as well as the challenges the London Market is facing.

Premium rates, and the scope of cover and capacity, have continued to disappoint. Nevertheless, the latest survey results here suggest signs of 'green shoots' where the pace of the hardening is slowing, in line with other surveys on the market. But – to continue the metaphors in botany – we are not out of the woods yet.

This report is also set in the context of growing discussions on the future of the London Market, with a view to its post-Brexit and post-pandemic life. For instance, the House of Lords Industry and Regulators Committee is conducting an inquiry – in which Airmic is involved – into the regulation of the UK's commercial insurance and reinsurance market, to explore

the possibilities for optimising regulatory policy following Brexit. The economics of it suggest more buoyant growth, but will the challenges around regulation, talent, sustainability and evolving consumer preferences make this a bumpy ride?

The pandemic-driven surge in the use of digital technologies by member organisations, many of which adjusted at short notice to remote working, has accelerated the longer-term trend towards digital transformation. As our respondents underscored, current insurers stand to lose business to more modern, agile insurance competitors who are without legacy systems, unless they also up their game in the digital sphere.

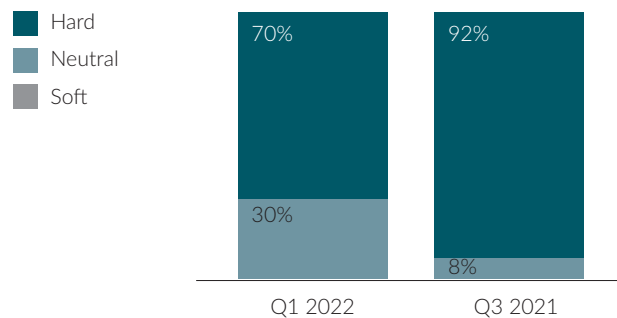
The March 2022 Pulse Survey canvassed members of the Airmic Leadership Group of risk professionals. The survey ran between 3 and 11 March and asked 30 questions. Each pulse survey comprises a combination of questions designed to track market conditions, supplemented by a focus on specific subjects. In the latest survey, the specific questions focused on whether the harsh market is softening, as well as the challenges the London Market is facing.

Headline findings include:

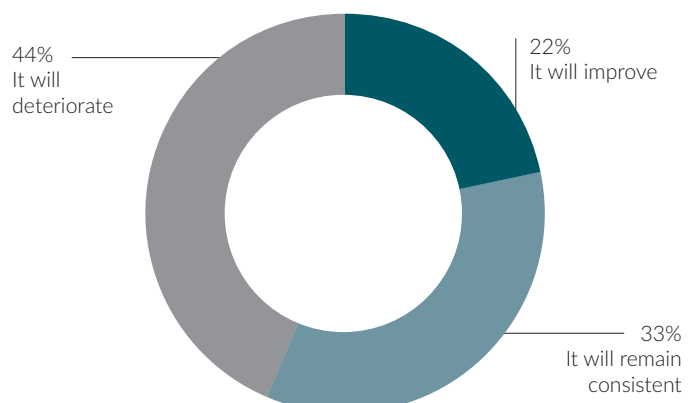
- The pace of hardening has slowed since late 2021, but there are concerns that insurance market conditions could yet deteriorate.
- That said, premium rates for cyber have skyrocketed. A tenth of our respondents experienced rate increases of more than 400%.
- Insurer and broker satisfaction levels are improving, in line with signs of 'green shoots' in the market.
- Brexit is threatening the London Market's influence in the global insurance industry.
- Insurers and brokers need to do more to attract talent, especially from other industries. Greater diversity of thought and digitalisation will be key to alleviating the inefficiencies in the London Market faced by Airmic members.

The pace of hardening has slowed since late 2021, but there are concerns that insurance market conditions could yet deteriorate.

How do you perceive the insurance market currently to be?



How do you expect the insurance market to be at the end of 2022?



Future of the London Market

The London Market urgently needs to maintain the pace of change post-pandemic, to build its resilience and relevance for the future.

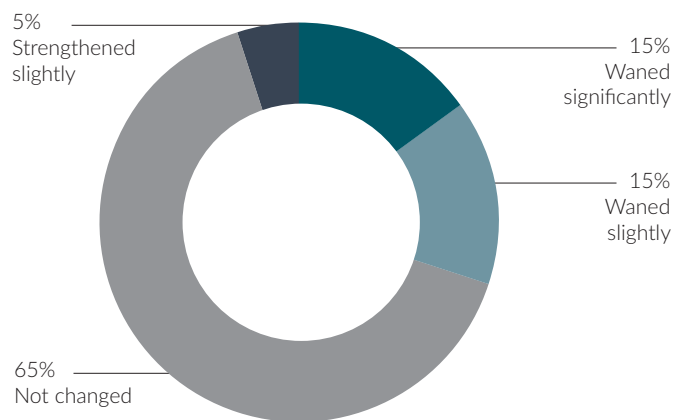
Is the momentum for change in the insurance market, created by the pandemic, being sustained?



Brexit is threatening the London Market's influence in the global insurance industry.

London used to be the European Union's hub for financial services, but Brexit has led insurers to shift decision-making powers back to their headquarters in other countries. Continued focus on regulation, talent, sustainability, and evolving consumer preferences will be crucial to securing the London Market's global competitiveness.

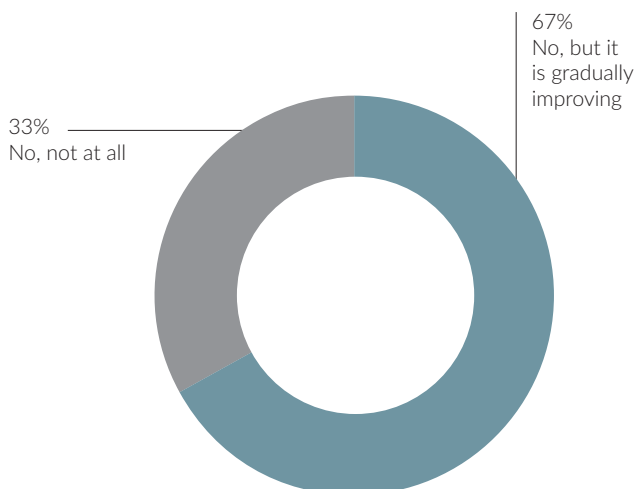
How has the influence of the UK insurance market changed since Brexit?



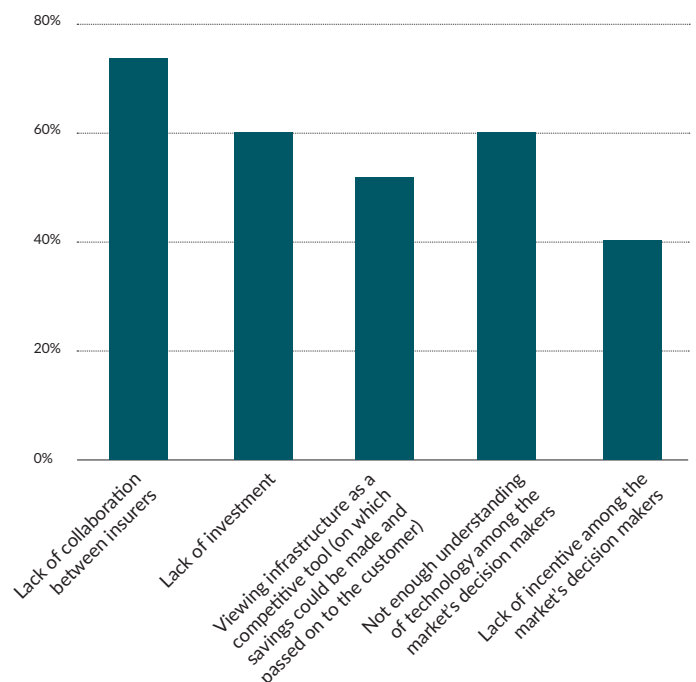
Current insurers will lose business to more modern, agile insurance competitors.

Our respondents have sounded a dire warning that the London Market's legacy systems will doom it to irrelevance. Greater investment and understanding of technology among the market's decision makers are critical to improving the market's infrastructure.

Is the London Market's current IT infrastructure system fit for purpose?



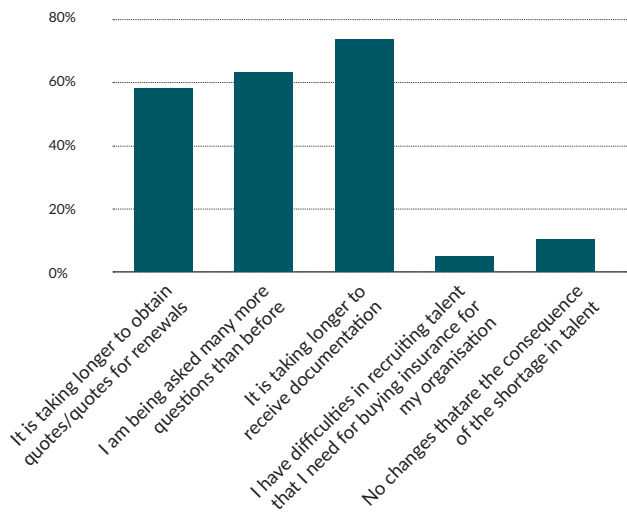
What are the obstacles to improving the market's infrastructure?



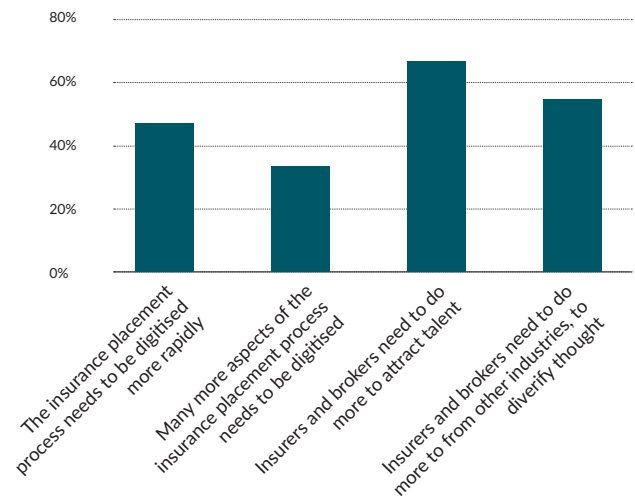
Insurers and brokers need to do more to attract talent, especially from other industries.

Greater diversity of thought and digitalisation will be key to alleviating the inefficiencies in the London Market faced by Airmic members.

Are you experiencing any of the following, which you believe is a consequence of the shortage in talent among insurers and brokers?

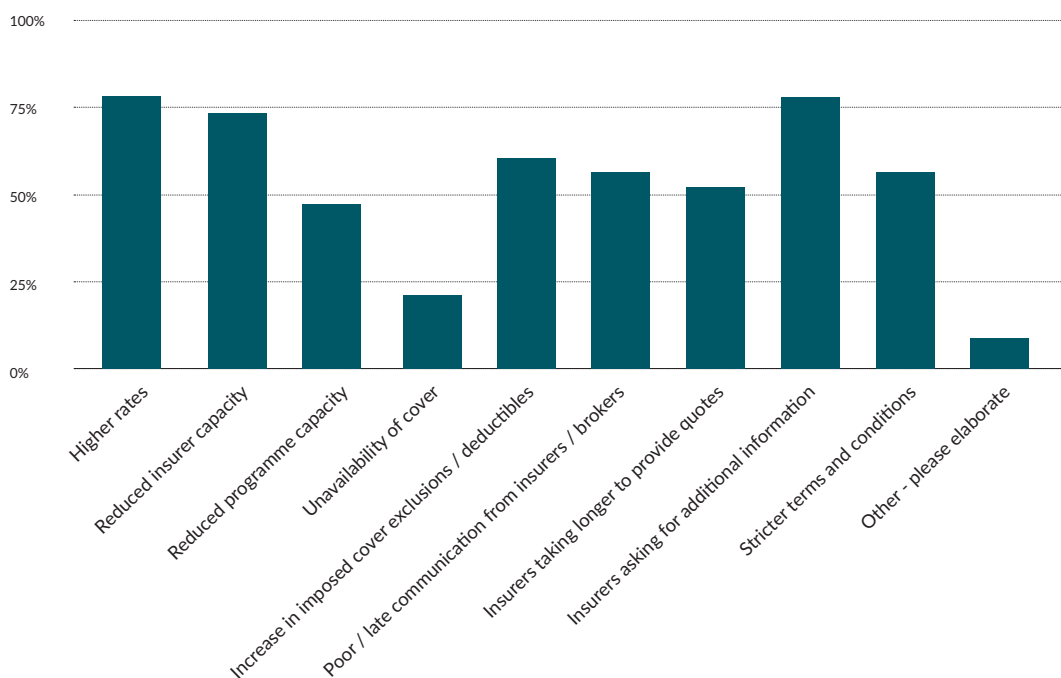


How could the shortage of talent be resolved?



Renewal characteristics seen in Q1 2022

Fewer respondents than in our previous surveys say the unavailability of cover at an affordable premium is a problem – but reduced insurer capacity is still a problem for three-quarters of them.



In the following lines, where purchased, what rate changes did you experience if any?

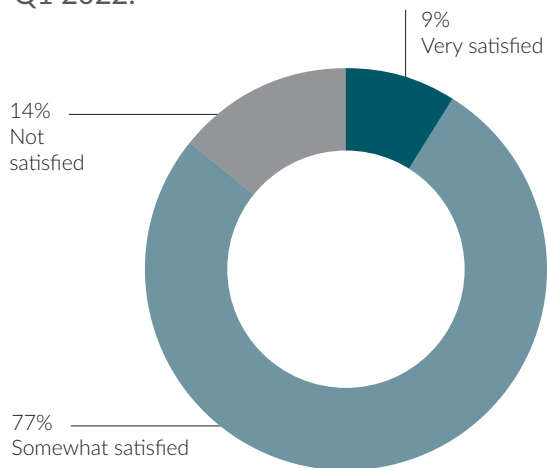
● Not applicable ● Decrease ● No increase ● Less than 20% ● 20% to 50% ● 50% to 100% ● More than 100% ● More than 400%



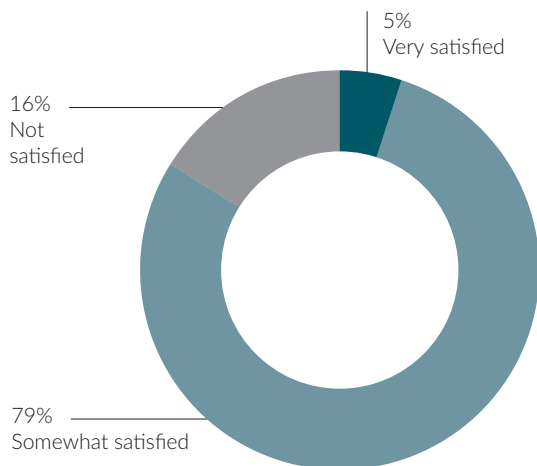
Insurer and broker satisfaction levels are improving, in line with signs of the insurance market softening.

Insurer satisfaction level

Q1 2022:

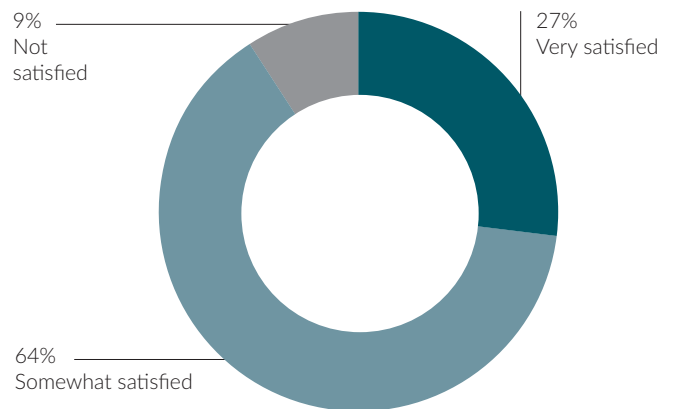


Q3 2021:

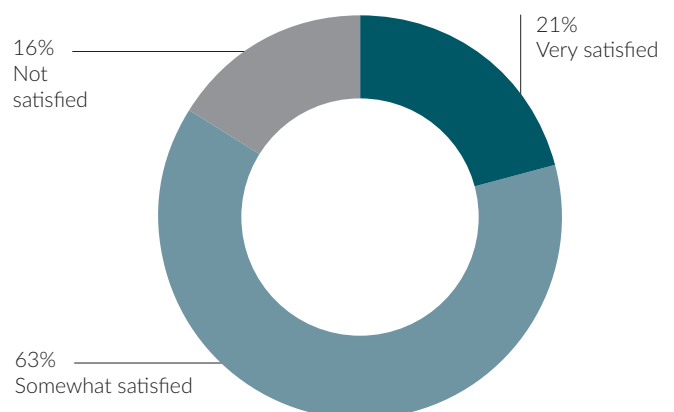


Broker satisfaction level

Q1 2022:



Q3 2021:



Conclusion

Insurers can be proud of the way they have adapted during the pandemic, for an industry not typically celebrated for its agility. But the legacy systems of the London Market will act as a millstone around its neck, unless it takes much bolder strides towards the digital and talent transformation required for its post-pandemic future.

The insurance model is changing. It now more geared towards understanding risk and managing it better. Climate change is expected to cause a seismic growth in economic losses, and global insurance premiums will reach record levels.

The insurance industry needs to rise to the challenge urgently. It needs to shift its focus from protection to prevention. New technologies such as artificial intelligence and machine learning will be key to reducing costs and creating value for all parties.

Silos between the “risk” and “insurance” buckets are being removed. But the insurance industry still needs to respond in a more connected way, as our survey indicates. The insurance industry, risk professionals, and government need to collaborate and move forward together.



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