July 2023

Solicitors Season in Review: Large Firms

Recent years have been characterised by challenging insurance market conditions, as surging premiums, dwindling appetite for new business, and a lack of new entrants have left firms with very few options. 2022 marked the beginning of the end, however, with significant easing of rate increases throughout the autumn. Despite increases still being felt, this improving trajectory is set to continue throughout 2023.

This brief paper provides an oversight of the market in 2022, a review of recent renewals and most importantly a forecast of what you can expect to see as we approach the autumn renewal season.

Analysis – reflecting on 2022

Economic difficulties persisted throughout 2022. In the UK, inflation soared to a 40-year high, the consequence of ongoing geopolitical volatility. Despite this, the insurance market continued to see a deceleration of hard market trends.

Driven by sufficient capacity and a focus on end-of-year growth targets, the market experienced a general easing of rates; however, modest price increases continued for some. Meanwhile, capacity for the limits required remained sufficient for most. In a more competitive market, some insurers sought to increase their line sizes.

Underwriting remained disciplined and thorough. A two-tiered market continued, with preferred risks experiencing flexibility and favourable terms, while less preferred risks (i.e. those with poor risk management disciplines and/or poor claims records) experienced a more rigorous, conservative, and stringent environment. Self-insured excesses remained flat across the portfolio, with the notable exceptions for firms with poor claim records.

Detailed information, even for well-managed and well-performing risks, is critical to achieving best placement results.

Outlook – 2023 and beyond

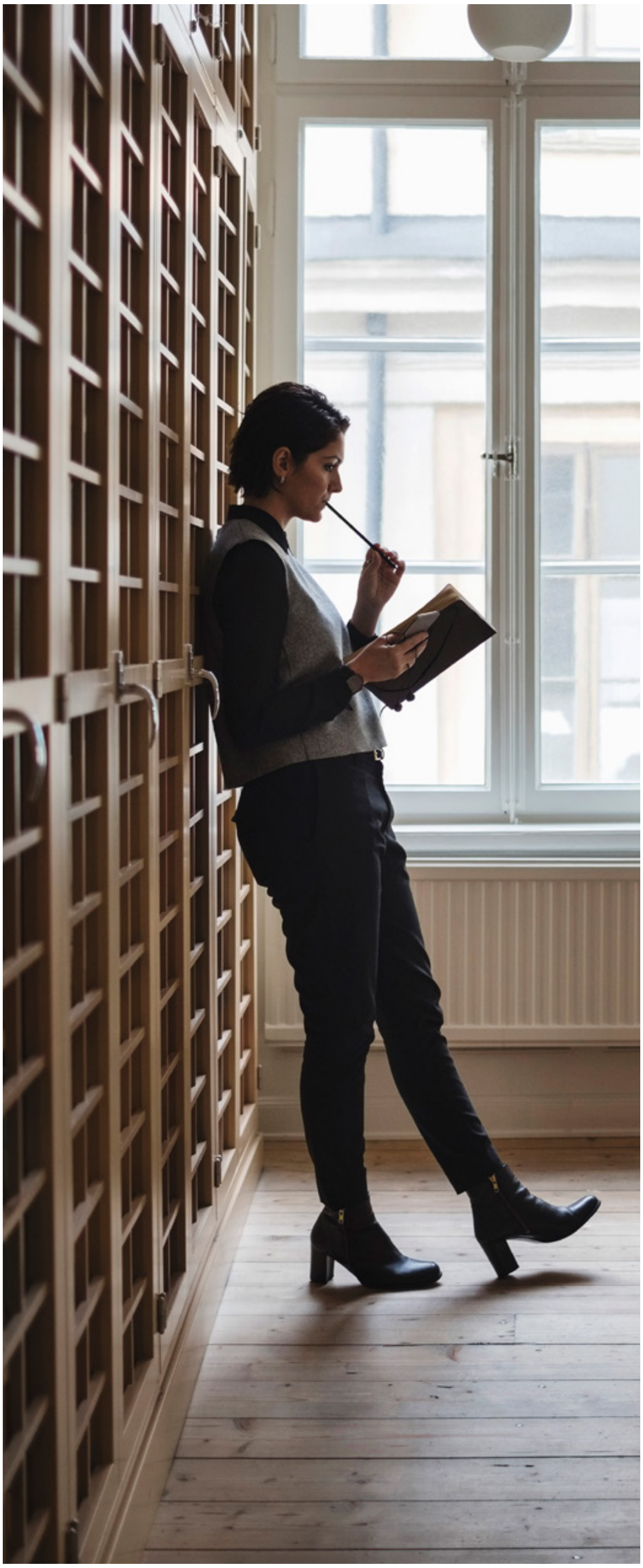
The lack of insurer options over the last few years has meant that many firms have been forced to renew with their existing insurer. However, we are experiencing an increase in appetite from a variety of insurers willing to quote for new business, with capacity available to achieve significant limits of indemnity.

At a primary level, significant rating increases over the past few years have returned rates to a sustainable level, with insurers now anticipating a greater opportunity to profit from their underwriting. This increased competition will not only serve to supress market rates, but will also encourage current insurers to limit their desired increases in order to retain business.

Despite many insurers wishing to achieve rate growth, most well managed firms with a good claims experience should benefit from flat rates to rate reductions up to 10% on their primary layer. Those who have suffered particularly challenging renewals in recent years may achieve greater rate reductions, and on a case-by-case basis there will be opportunities to negotiate modest reductions. Self-insured excesses will continue to remain stable, unless insurers are concerned there are insufficient risk management controls in place.

Overall, there is reason to be positive. Insurers are more receptive to new business opportunities, and equally keen to retain their existing portfolio of business, resulting in a greater willingness to negotiate on premium levels, and the accompanying terms and conditions. However, the impacts of global inflation continue to drive up claim costs, which combined with other factors – geopolitical tensions, regulatory change, and the increased frequency of natural disasters – could all impact market stabilisation.

As ever, detailed information, even for well-managed and well-performing risks, is critical to achieving best placement results. Insurers remain focused on profitable growth and retention of well-performing risks, and continue to expand their appetite in targeted areas. Underwriting is generally more flexible, but remains disciplined and based on individual risk profile, controls, and performance.



Advice to clients

Insurers remain selective, so firms need to present themselves in a positive way. Here are a few tips:

- Increase underwriter confidence in your risk – superior placement outcomes are achieved through underwriter confidence and trust. Engage throughout the year to bring insurers along on your journey and differentiate your risk.
- Communicate transparently and often – in person, when possible – and provide access to relevant experts across your organisation.
- Start the renewal process early and define clear objectives.
- Tap into available data to provide robust, quality underwriting information including, risk control and mitigation practices and actions you have taken from past experiences.
- Include details of the firms' growth and strategy plans.
- Conveyancing claims remain a concern for insurers. If the fees from conveyancing (residential and commercial) are above 25%, the more information you provide about the nature of your property work the better.
- Accompany your claims history with a 'lessons learnt' explanation.
- Submit your proposal form and accompanying documents well in advance of renewal.
- Be prepared to answer questions regarding sanctions and cyber-related risks.

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