

# H1 2022 half year International FI and D&O market update

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The first half of 2022 has been a transformative period. London's D&O carriers have been surprised by the level of competition they are contending with.

The majority of insurers anticipated a gradual rate drop in Q3 and Q4 of 2022 after a continued period of rate growth and budgeted accordingly; however, with 'as expiry' or discounted renewal terms coming available in the early part of the 2022, a scramble for new business has followed.

A number of factors have led to this untimely adjustment in market condition:

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New entrants to the market have arrived with a much more competitive edge than predicted. Insurance towers, which have been facing significant lack of capacity and rising premiums are now in the cross hairs of these new insurers, forcing incumbents to either lose the account or drop premiums below where they have the year before deemed adequate.

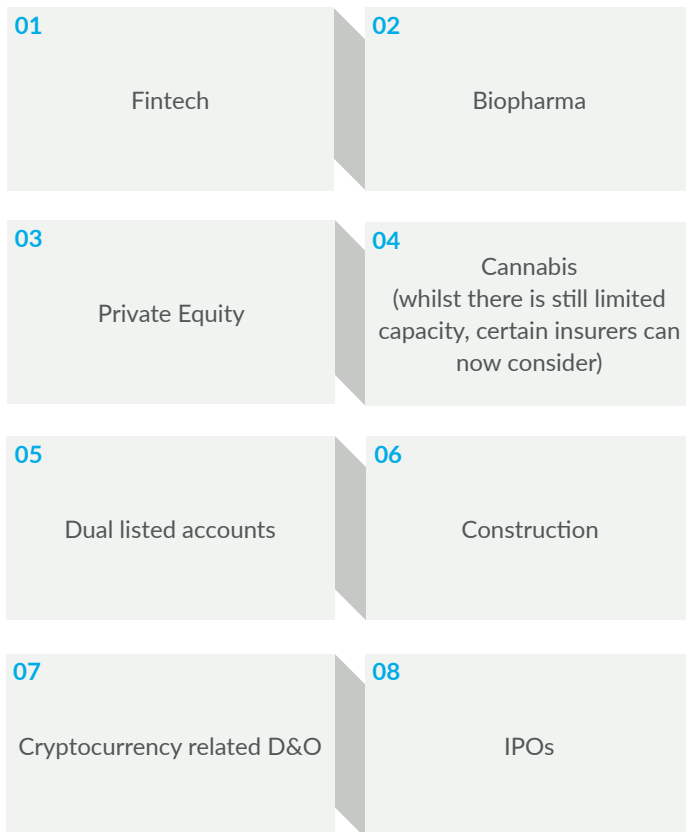
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As mentioned, the majority of insurers anticipated marginal rate increases through the first half of the year, which would get them much of the way to those already set budget targets. Given the competition from the new entrants, incumbent insurers are having to look to new business to achieve their growth targets, in turn, creating a snowball effect and driving aggressive underwriting behaviours.

Over the past few years, the focus of insurers, both new and existing, has been on the higher attachment points. To avoid the growing competition a number of them are now looking further down the tower to get access to the larger premiums with some beginning to reconsider primary participation. At these attachment levels the rate still tends to hold for underwriters and provides solid growth opportunities for the London market.

## What does this mean for you?

This unexpected shift in the London market outlook has resulted in Lloyd's and London's company insurers once again becoming a competitive option across the globe. Underwriters are also beginning to explore business sectors that were previously outside of their appetite. We have seen a real push from London underwriters into the following areas:



The above list is by no means exhaustive, however, there continues to be certain industries where the market is less favourable on. Coal is one of those sectors. The insurance industry's withdrawal from the coal sector has resulted in reduced capacity and continually rising rates. We do have a number of close relationships with key insurers that enables us to place this sector into London, however we are restricted by low limit options at high premiums.

Given the increasing competitive capacity across London, we believe insureds who previously cut their overall limit to save premium spending in the past couple of years can begin to rebuild their insurance towers back up to historical levels at palatable premium levels.

## Looking forward

With the broad macro-economic and political environment offering unprecedented levels of uncertainty, and the arguably credible threat of a global recession (or perhaps at best a 'stagflation') on the horizon, there is a certain level of hesitancy within the London market surrounding what the future holds. Time will tell as to the outlook for 2023, but there is little doubt that budgeting pressures will continue to drive insurers to compete for premium through the second half of the year.

With this in mind, we would recommend continuous consideration for London to ensure your clients are receiving global representation in the financial lines market.

So often this year, Miller has been able to source competitive options across both FI and D&O risks for a variety of sectors, ultimately not only securing best possible terms for our clients, but also ensuring our broker partners avoid challenges from others looking to take advantage of the competitive environment we have described.

## About Miller

We are a leading independent specialist (re)insurance broking firm with more than 700 people across our UK and international operations.

Our reputation as the strongest advocates in the business comes from our exceptional people delivering exceptional results for over 120 years.

With a client-first approach, we value our long-standing relationships and continue to build strong and rewarding partnerships.



Miller is a Chartered Insurance Broker, the industry's gold standard for insurance brokers. We have committed to delivering professional excellence and adhering to a Code of Ethics.