

HOW TO MAXIMISE **OPPORTUNITIES** IN A **HARD MARKET.**

10 December 2020

Introduction by Peter Treloar, PSC Underwriting Manager, Hiscox

Presented by Alan Chandler, Chartered Insurer

Introduction and Housekeeping



How to Maximise Opportunities in a Hard Market
Thursday, December 10, 2020 at 2:00 PM

Submit your
questions
here

A screenshot of a webinar interface. The main slide is titled "HOW TO MAXIMISE OPPORTUNITIES IN A HARD MARKET." and features the HISCOX logo. The interface includes a sidebar with "PAST WEBINARS" and "QUESTIONS & ANSWERS" sections, a "SPEAKER BIO" section for Alan Chandler, and an "AUDIO" section at the bottom. A red arrow points from the "Submit your questions here" text to the "QUESTIONS & ANSWERS" section.

PAST WEBINARS

[THE PERFECT STORM - SEVEN REASONS WHY WE ARE GOING TO GET THE HARDEST MARKET IN A GENERATION](#)

QUESTIONS & ANSWERS

Enter question | **NEW QUESTION**

SLIDES

HOW TO MAXIMISE OPPORTUNITIES
IN A HARD MARKET.

10 December 2020
Introduction by Peter Treloar, PSC Underwriting Manager
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SPEAKER BIO

Alan Chandler
Chartered Insurer

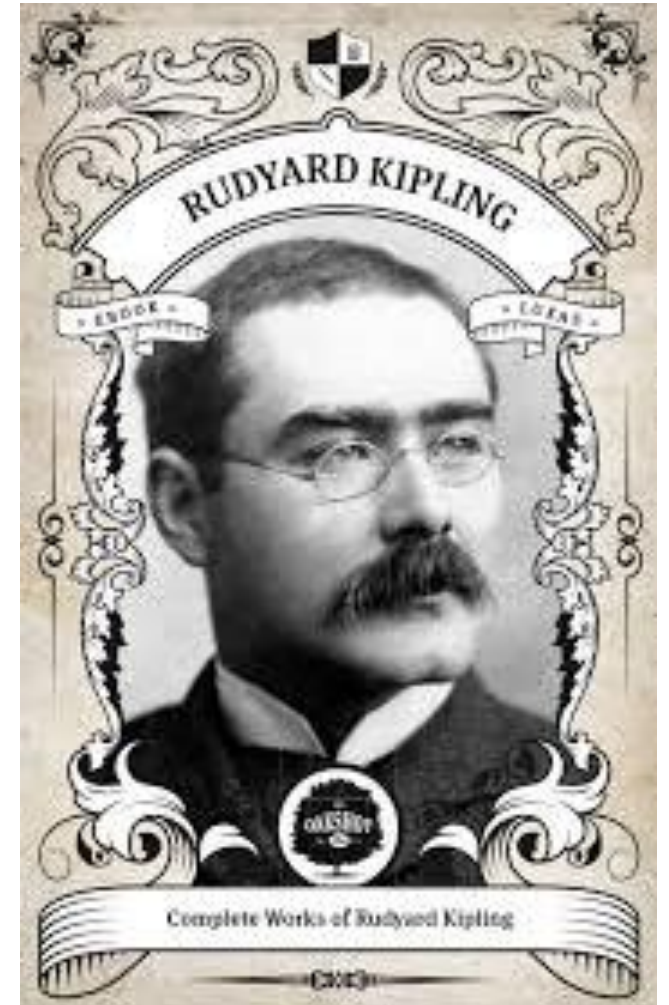
Alan has undertaken operational management roles in three major global companies running underwriting, broking and claims functions. In order to fulfil a long-term ambition, he set-up his own training company, something that he had always longed to do as he is passionate about training. Since then he has trained over

AUDIO

How to Maximise Opportunities in a Hard Market

Alan Chandler, Chartered Insurer

‘If you can keep your head when all about you are losing theirs and blaming it on you. If you can trust yourself when all men doubt you, then yours is the hard insurance market and all the distressed clients within in it.’



Alan Chandler, Chartered Insurer

- **I have trained more than 2,000 individuals to become ACII qualified**
- I have trained over 50% of the individuals in the last 8 years that have gone onto achieve the highest ACII pass in the whole of the UK.
- I train to a pass rate of more than 96% in all CII qualification levels, Certificate, Diploma and Advanced Diploma.
- I deliver the Allianz scholarship and academy programmes in both the UK and Ireland, provide the Zurich Ask Alan facility and I have been a CII examiner.
- I have trained students who have won national prizes in almost all ACII subjects including Insurance Law (MO5), Liability (M96), Commercial Property and BI (M93), Personal Lines Insurance (P86), Business and Finance (M92), Underwriting Practice (M80), Advanced Underwriting (960), Claims Practice (M85), Advanced Claims (820), Marketing (945), Advanced Broking (930) and Advanced Risk Management (992).

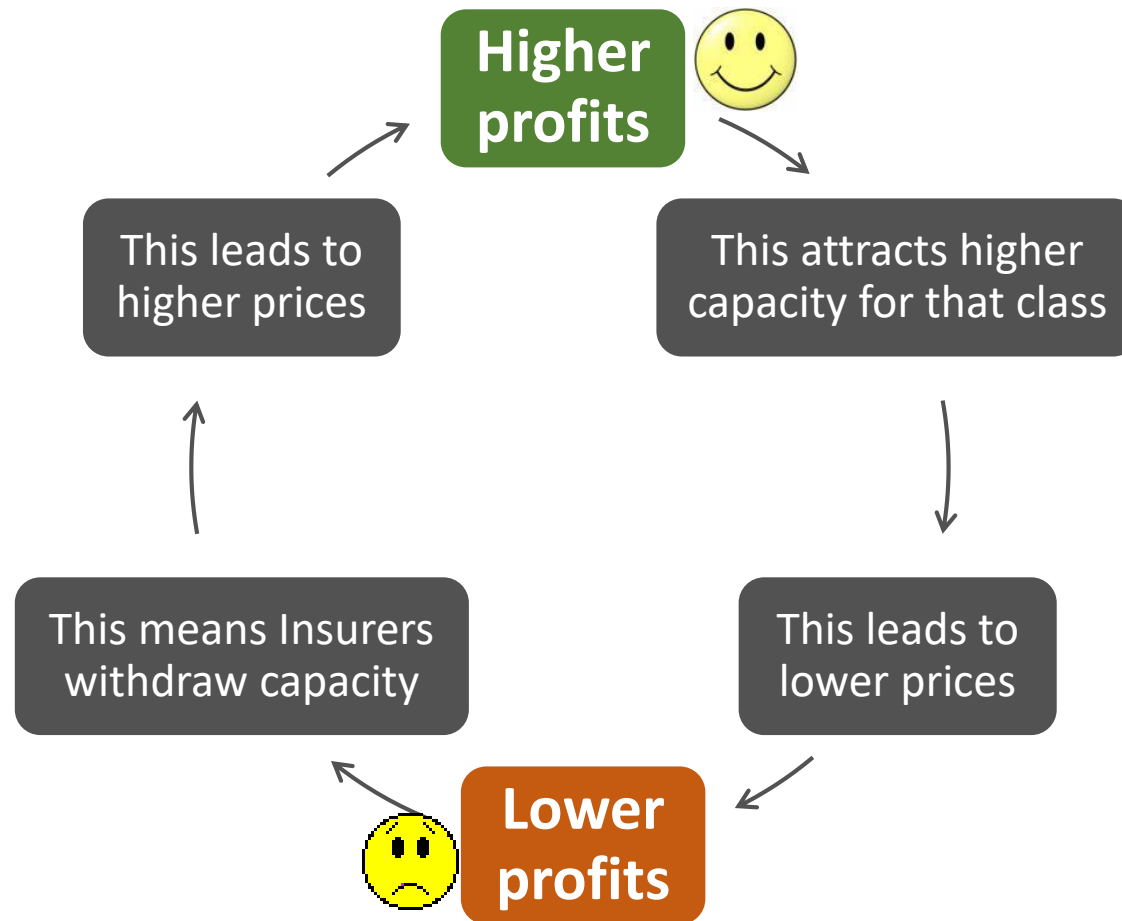


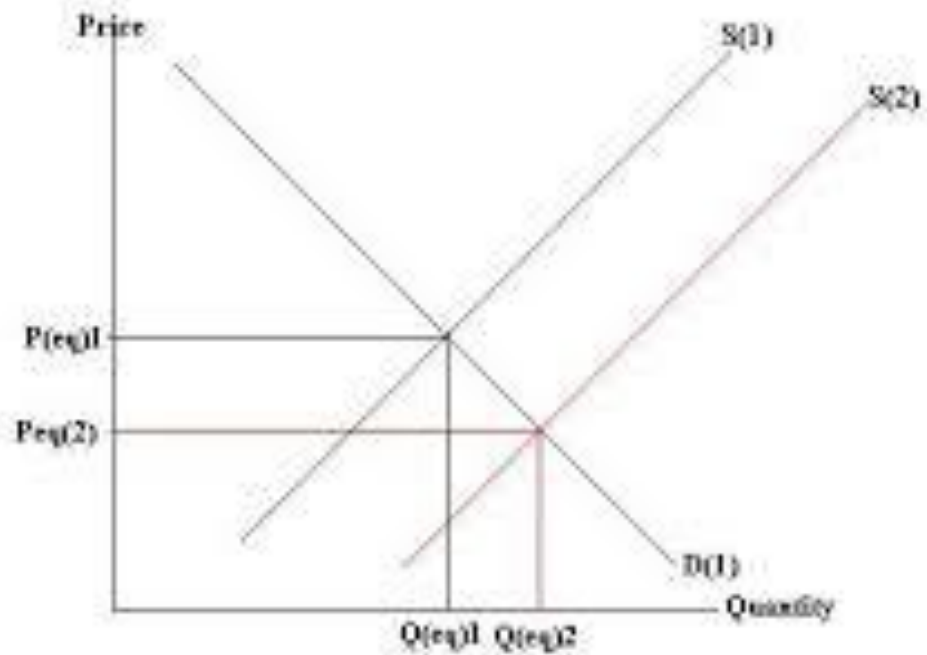
Learning objectives

Delegates will be able to:

- Understand the characteristics of a hard market.
- Understand what is currently causing the hard market in the UK.
- Understand how to communicate clearly to clients in a hard market.
- Understand and be able implement the ten key factors on how to maximise opportunities in a hard market, and therefore become extremely successful, by growing their business in a difficult time.

So what is a market cycle in insurance?





Supply
decreases in
a hard
market

Consequences of a hard market

1. Premium increases
2. Coverage reductions
3. Harsher interpretation of claims - including TIA
4. Fewer options for brokers to be able to get quotes
5. In some cases there may be no cover available at all for certain clients



Bad times have hit the UK insurance industry before

- 1953 North sea storm surge through the Thames Estuary
- 1987 Great storm
- 1992 Baltic Exchange
- 2001 Independent go under and 9/11

It is being shouted from everywhere

- **Coronavirus will be the largest loss on record for insurers, as per John Neal CEO Lloyd's of London**
- In a broader economic assessment report on the impact of Covid-19 for the non-life insurance industry, Lloyd's of London estimated that the 2020 underwriting losses covered by the industry will hit \$107 billion (on par with the worst ever losses like Katrina in 2005) BUT Add to the claims the loss of investment income of \$96 billion and the overall bill will be \$203 Billion, almost double the worst previous event ever!
- "The chances of the market making anything other than a notable loss in 2020 are zero."
- **Oliver Bate CEO Allianz "virus has hit insurers like a Meteorite"**

7 reasons why 2020 will be a hard market

1. Solvency II.
2. Ogden rate is for the foreseeable future going to be in negative territory.
3. Coming into 2020 the property insurance market was already running at loss making rates.
4. Storms Dennis and Ciara could cost the industry in excess of £500M.
5. Covid-19 will cause extensive losses to insurers.
6. Reinsurance rates will be rising considerably.
7. Interest rates are at an all time low meaning investment income cannot be relied upon by Insurers.

The market will get very hard

- Take a look at Ireland to see what happens when a market gets very hard.
- Almost 250 insurers have pulled out of the market in the last six years, half of those in the last two years.
- The UK insurance market will face significantly reduced capacity.



Not all classes of insurance will be affected by a hard market.

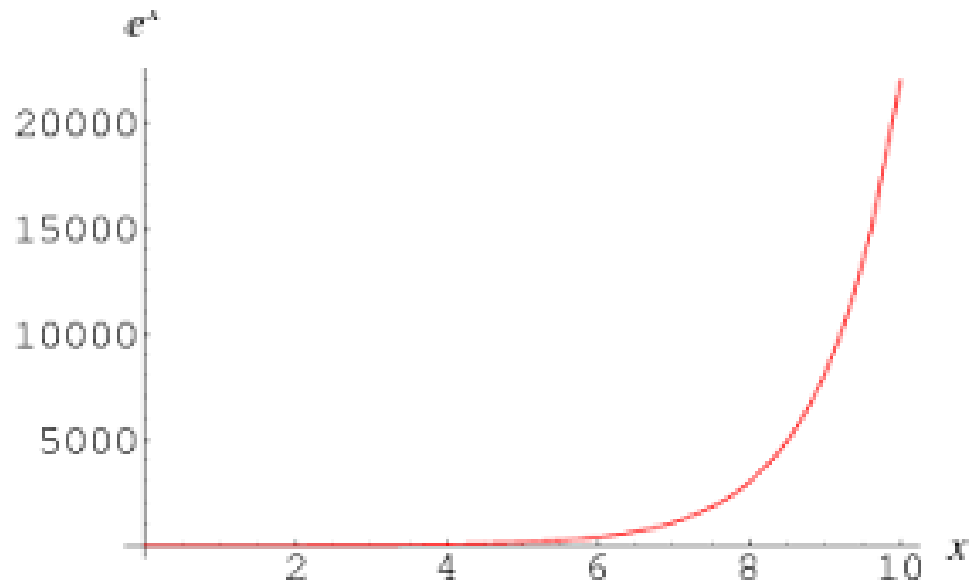
It is possible that motor accidents in the UK are going on a permanent downward curve.

Covers under threat

Insurance Brokers



Ten Factors on how brokers and underwriters can maximise opportunities in a hard market



- During difficult times businesses that are well structured and have highly trained staff grow exponentially – many highly successful brokers attribute 2001 as a major turning point in their business.
- Businesses that have been based on selling cheap without any investment in training lose market share, because their lack of knowledge gets exposed in a hard market – these brokers and underwriters will not be viewing this presentation!!!
- The growth will not be based on new entrants, it will be based on redistribution.
- We will now go through the ten factors on how to maximise growth opportunities in a hard market.

Clients are not impressed!

To quote a large client...

“The minimum I expect from an underwriter, a senior underwriter, an underwriter who’s the head of financial lines, is that if he’s going to give me a 4000% increase, reduce my capacity, and give me some significant restrictions in cover, then he is able to articulate why he’s doing that”

So how can brokers and underwriters maximise opportunities in a hard market? FACTOR ONE

Educate Clients about what a hard market is and the many factors causing it.

- Do not say your premiums have increased due to Covid-19 as it is only one of many factors, and the client probably did not get paid out on Covid-19! - so change the narrative.
- Do quote John Neal that worldwide losses will be in excess of \$200 billion, making it the worse underwriting loss ever.
- Create expectations of the new norm.



FACTOR TWO – Do be sympathetic

- Most clients are facing some of the biggest challenges of their business lives. Do NOT be the carefree broker saying its 50% uplift take or leave it – nothing else out there for risks like yours!
- Most clients have never needed a premium decrease more, yet their hopes will be dashed as they will be getting the opposite.
- **Tact and understanding will go a long way.**

FACTOR THREE - Start renewal negotiations EARLY

- Do not follow your normal renewal time cycle, look to always be ahead on renewals during this forthcoming year. This could mean thinking 3 or 4 months ahead.
- Well in advance, look to identify all the renewals where there could be a problem with placement.
- Challenge reserves where appropriate.
- Start sounding out possible alternatives even before terms have come through, if you anticipate issues with the holding insurer. The hard market will mean specialist markets will be inundated, so the earlier you start the alternative quote procedure the better.



FACTOR FOUR – Engage the holding insurer early on risk improvements

- Have an early pre renewal meeting with the holding insurer.
- What are their views on the risk , is there anything that the client could do that will have a positive influence on the renewal terms.
- Do talk about what risk management actions they might like to see, remember you can include survey recommendations that were previously not implemented in your discussions, would these now be worth doing?



FACTOR FIVE – get a range of alternatives quotes at renewal

- Do not assume past performance will be the same in the future says your IFA – this will also apply to clients who in the past have seen uninterested in their insurances.
- Irish brokers were inundated by people they had not heard from for years!
- Work out which risks you need to pre-empt by providing a range of alternatives, show them you have been doing your job so they do not need to look elsewhere – take away that temptation!
- A list of alternatives can put the exiting insurers terms in context.

FACTOR SIX – Establish the right contacts at each insurer who can deal with a hard market

- Great underwriters come into their own during a hard market, make a point of identifying these individuals in each of your key insurers.
- Find ways of avoiding having to deal with no quote Nigel and risk averse Rita! – ask to change your underwriting focal point if you have to – this applies to new business too!
- In a hard market there will be less alternatives, so do not let the Nigel's and Rita's stop you accessing an otherwise good insurer.



FACOTR SEVEN – Use BOLD in presentations

- For both renewals and new business you need to ensure that your presentations stand out, so that they will not end up in the amber or red piles!
- Make them professional, including all relevant information, and do use bold where appropriate.





THINK
OUTSIDE
OF THE

FACTOR EIGHT – Be innovative use Zoom or Teams with your prospects and clients

- For new and existing clients – show them you have embraced the new world.
- All of a sudden you have a meeting with a prospect that previously would not have been viable, or a pre renewal meeting that again would not have been traditionally viable.
- The world has changed – think outside the box
- Remember the saying if you always.....



FACTOR NINE – Dust off that prospect list – the door of inertia opens wide in a hard market!

- In a hard market that is happening at the same time as a recession, prospects will be more interested than ever in getting alternatives!
- **OPPORTUNITY KNOCKS FOR THE HARD WORKING**

FACTOR TEN – Do persuade existing clients and prospects not to act in a rash way

- The temptation for businesses who are struggling will be to reduce expenditure by cutting coverage.
- Clearly articulate the risk of reducing or removing these covers and follow this up in writing.
- Do remind the purchaser of insurance of their own **personal** increased D&O risk by making this decision without board agreement.

Summary of the TEN FACTORS of how brokers can maximise opportunities in a hard market

1. Educate clients about a hard market.
2. Be sympathetic.
3. Start renewal negotiations early.
4. Engage the holding insurer early about risk improvements.
5. Get a range of alternative quotes to establish context.
6. Establish the right contacts at each insurer.
7. Use Bold in presentations to beat the traffic lights.
8. Be innovative in your use of Zoom and Teams.
9. Dust off those prospects lists – you are pushing against open doors.
10. Persuade clients against acting rashly.

Alan Chandler's Training Courses:

Technical Training Courses

These can be run for a day, half day or a lunchtime presentation and the content tailored to meet your needs:

- D&O in a plain English nutshell
- GDPR/Data Protection a year on
- Insurance Distribution Directive
- Vulnerable Customers
- The perfect storm - understanding how solvency margins and Ogden are changing your insurance market place
- How broker E&O claims are increasing and how these can be mitigated
- The missed opportunity – how UK employment trends are changing yet the financial services sector is lagging behind
- BI in plain English
- Financial awareness for account executives and handlers
- Leadership in insurance
- Examination techniques workshop

Alan Chandler's Training Courses:

Technical Training Courses

- Commercial property insurance
- Business interruption insurance
- Construction insurance
- Liability insurance (EL, PL and Products)
- Professional Indemnity insurance
- Motor Trade insurance
- Directors and officers insurance
- Motor Fleet insurance
- Engineering insurance
- Package insurance
- Legal Principles of insurance
- Household insurance
- Private Motor insurance
- How liability can arise under the law of tort
- Builders Performance Bonds (1/1/2 hour course)

Training courses for CII Examinations

At Certificate Level

- IF1 Insurance legal and regulatory
- IF2 General insurance products
- IF3 Insurance underwriting process
- IF4 Insurance claims handling process
- IF5 Motor insurance products
- IF6 Household insurance products
- IF8 Packaged commercial insurances

At Diploma Level

- MO5 Insurance Law
- M92 Insurance Business and Finance
- M93 Commercial property and business interruption insurance
- M96 Liability insurances
- M80 Underwriting practice
- M85 Claims practice
- M86 Personal Lines insurance

At Advanced Diploma Level (ACII)

- 530 Economics and business
- 820 Advanced claims
- 930 Advanced broking
- 945 Marketing insurance products and services
- 960 Advanced underwriting
- 992 Advanced risk management

I can set up an entire training programme to take people from nothing to fully ACII qualified

LEARNING OBJECTIVES

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