

# INSURANCE MARKET INSIGHTS

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INSURANCE

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## Facing a Hard Market. What that is and what it means for you.

As with many markets, the insurance market is cyclical. For years, businesses buying insurance have benefited from a “soft” market in which insurers compete hard to win business by cutting premiums, relaxing underwriting criteria, and offering wider cover.

The inevitable long-term result of these soft market conditions however is that claims costs rise compared to premiums, reducing insurers’ underwriting profitability. This trend has been exacerbated in recent years by increased severity and frequency of claims, putting even more pressure on insurer margins.

Insurers are now responding to this reduced profitability by tightening eligibility requirements and the criteria used to assess submissions, reducing cover and increasing premium rates – in some cases insurers and Lloyd’s syndicates have exited unprofitable insurance classes or sectors all together.

We are now in a “hard” market, a period when there is a high demand for insurance, but a lower supply of coverage available. This “hard” market has extended across most classes of business now and will unfortunately continue throughout 2021.

### WHY YOUR RENEWALS / SUBMISSIONS ARE MORE IMPORTANT THAN EVER

Right now, accounts are marketed more frequently and insurers are inundated with submissions. On top of this, insurers are struggling to meet the demands of the current market as more policies move to a subscription-based insurance contract which is for a much shorter period, typically one month, rather than organising and paying for insurance annually. This has driven a significant increase in submission activity.

That means that sub-par submissions will get lost in the mix and not receive best in-class rates. The usual won’t cut it anymore.

We, and insurers, are going to be asking for more thorough and more robust information to attain the very best renewal result.



*The insurance market this year presents some significant challenges.*

*But we've got the plan, resources, and know-how to be your partner in navigating this new reality and to achieve your 2021 goals and ambitions.*

## HOW TO GET THE BEST RESULTS IN A HARD MARKET

### Start Early

Get in on the renewal / submission process early this year. Mark it in your calendar and expect your broker to start kickoff meetings 120 days out from renewal to ensure all boxes are checked, updates made, etc. so you're prepared for your best submission / renewal.

### Help Us Tell Your Story

We need to go beyond the minimum standards and paint a clear, full picture of your operation to really tell (and sell) your unique story to the insurer.

For the best rates, we need to sell the best story of why the insurer wants to take you on. This means selling them your passion, goals, and mission.

These invaluable insights into your business will help us build a robust renewal / submission with a good story that will rise to the top of the pile. Work with your broker to help tell your story.

### Focus on Claim Mitigation and "Lessons Learned"

Claims have a bigger negative impact on your risk profile than ever and mitigating claims is key to a strong submission / renewal in today's hard market.

Early in the renewal process, work with your broker to outline the changes you have made with regards to risk control and start to gather evidence of your loss prevention actions. This year, it will be more important than ever in selling you to the underwriters.

### Think About Appraisals

In this hard market, those who do not want to invest in insuring their property to its true replacement value will have a hard time getting best in class terms.



Appraisals are essential in determining the correct amount of insurance to purchase and if this is missing from the equation, you run the risk of underinsurance and inevitably major discomfort during a loss.

Insurers will be demanding more appraisals moving forward so be prepared to have these conversations with your broker in advance of any subjectivities required for terms.

### Insurer Loyalty

If you have a favourable loss history, you might be tempted to consider "shopping" your business when faced with rate increases upon renewal.

Right now, it might be better to have "premium in the bank" with a long-term partner than search for something new.

It is our job to benchmark renewal rates with other insurers and provide the pros and cons of moving accordingly – make sure to have an in-depth chat with your broker before making a change this year.

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If you have questions specific to your business, or would like additional information, please reach out to your Henderson Advisor.

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LET US HELP YOU MANAGE YOUR RISK

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