

Navigating the hard insurance market

SMEs are feeling the effects of the first hard market since the 2000s, but they need not go it alone – a professional insurance broker can help see them through



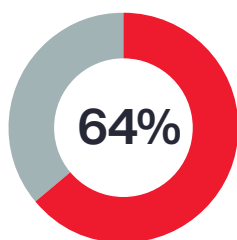
Like most things in life, the insurance market isn't static, but operates in cycles. These fluctuations mean the market can take two forms: hard and soft.

In a soft market, claims losses for insurers are low, competition is high, the coverage offered is broad and the cost of insurance is low. We were in a soft market from the late 2000s until late 2018, when heavy losses across the globe prompted the beginning of a hard market, the first since 9/11.

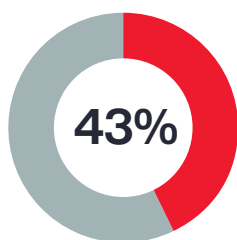
The return to a hard market began in specific areas, such as Liability, and in particular sectors, such as construction. But with losses mounting over the past few years, insurance companies have been forced to react to stem those losses. This change in behaviour is now hitting purchasers across lines and sectors.

This has not gone unnoticed by the UK's SMEs.

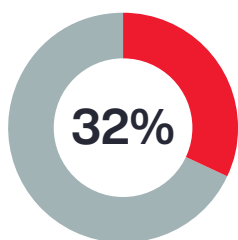
Aon interviewed more than 600 decision-makers from professional SMEs across the country and found that the hard market conditions are being felt:



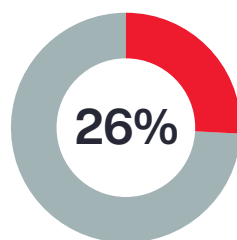
of all SMEs have seen signs of a hardening market



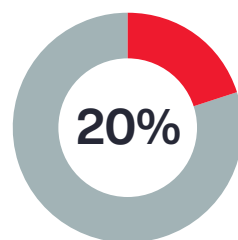
have seen premiums go up



have noticed some insurance no longer being offered



have seen insurers introducing stricter underwriting criteria



have had the level of cover they can secure reduced





But the hard market is not universal. Some sectors and some lines are suffering more than others.

“One of the worst hit sectors is care,” says Craig Toyer, Head of Placement and Proposition, Affinity and SME at Aon.

“IFAs have a really hard market, but they sort of know what they are doing. But in care, there is not a lot of competition, there are unknown claims on the horizon and questions around where any negligence lies.”

This view is backed up by the research findings.

When asked if they had seen signs of the market hardening, 82% of IFAs said they had, as did 78% of recruitment consultants and 74% of those working in health and social care.

So how can SMEs manage this hard market?

For larger organisations that can afford to employ risk and insurance specialists, managing the hard market is part of the business. But for SMEs, whose resources are lighter and where insurance expertise is often thin on the ground, the best chance of navigating these turbulent times is to reach out to a professional insurance broker for support.

“A good broker will be proactive in these situations and explain to the client what is going on and how they can react. A bad broker will just bury their head and pop up at renewal with a big increase in rate,” says Toyer.

He says that a broker’s role is to dig deep into the business, understand exactly what it does and translate that to the insurer in a way that secures the client the most appropriate cover at the best possible price.

This approach is key when it comes to managing a hard market. At such times, insurers are nervous. They are experiencing losses that will take years to correct and they may not be entirely sure what is driving them. They want as much information as possible to properly understand the risk a business poses and the cover it requires.

Gathering and communicating that information to an insurer, particularly directly or online, is no easy task. The client is responsible for communicating all material issues to the insurer, but what is and isn’t material isn’t always clear.

This is where brokers come in. Not only do they have deep experience of their markets and know how underwriters think about and respond to challenges, but they will take the time to fully understand your business.

In a soft market, it can be difficult for insurers to find a reason to refuse cover. But in a hard market, all bets are off, and only those who are prepared to present their best face to the market will get the cover they need. And the best way of presenting that winning face is with the support of a professional insurance broker.



Contact Us

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Aon plc (NYSE: AON) exists to shape decisions for the better—to protect and enrich the lives of people around the world. Our colleagues provide our clients in over 120 countries with advice and solutions that give them the clarity and confidence to make better decisions to protect and grow their business.

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