

ARE YOU PREPARED FOR A 'HARDENING' INSURANCE MARKET

Every risk professional who is familiar with recent market conditions has likely come across industry talk about a 'hardening' insurance market. What does this mean and what are some of the implications for buyers of insurance? How do risk managers and asset owners manage risk in a rapidly 'hardening' market?

Historically, the insurance market goes through cycles of expansion and contraction, as capital flows into or out of insurance markets, creating what is known as 'soft' and 'hard' markets respectively. The last time the global insurance sector experienced a 'hard' market was over a decade ago. Such is the concern surrounding current trends, and the uncertainty it brings to insurance buyers, that brokers and insurers alike have been conducting 'hard' market training for their staff.

Why is this happening now?

For the last decade or so, most insurance markets have seen increased capital chasing limited growth in product demand, meaning that underwriters have been willing to keep premium prices low, and terms flexible, to secure business. This has been further compounded by all-time low interest rates pushing more capital to the insurance markets.

However, after years of mounting losses, the market has determined that this is no longer sustainable, and we are seeing capital withdrawals and insurers seeking increased returns. In practice this means it is likely that risk managers and facility owners will see increases in premiums and/or tightening of contract terms across most insurance policies.

How do you prepare for a 'Hard' market?

The 'hardening' insurance market will be a challenge to all industry players. Where capacity is restricted and hence more valuable, insurers will be imposing stricter underwriting standards and higher rates. Brokers and asset owners are facing longer policy renewal periods and tighter claims management processes.

Risk managers and owners can alleviate the severity of the impact of these changes by focusing on improved risk management as well as providing insurers and brokers with more detailed asset information earlier. Part of this process is a comprehensive and justified analysis of the estimated replacement cost of their facilities. The process also involves selecting the right insurance partners who truly understand the insured's business.

How can John Foord assist?

As the implications of renewals take effect, we are seeing a higher level of demand for professional valuation services. Proactive risk managers and brokers are quickly realising that an accurate and up-to-date valuation prior to insurance renewal is a key tool in minimising unwelcome changes to their policy terms. Now is the time to prepare for the 'hard' market by ensuring that sums insured are accurate before renewal season.

At John Foord, we work with clients to help them be better prepared for any unexpected market conditions and to mitigate risks. We can assist in desktop reviews of values to provide a quick and indicative assessment through our team of professional valuers and data analysts. Alternatively, where values are a clear concern and information is limited, we can carry out a comprehensive inspection and valuation as required.

For all your valuation needs, contact us at [John Foord](#).

This document is prepared by John Foord as an opinion and should be treated as such. John Foord and its affiliates do not accept any direct or indirect liability arising from reliance on the information stated herein. Please contact John Foord for tailored, professional and detailed valuation advice. John Foord valuations will be undertaken by qualified personnel.