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Market to harden further

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Swiss insureds will continue to see insurance premiums rise for the foreseeable future, warns **Edoardo Leusciatti,** partner at **SRB Assekuranz Broker AG**, a **Brokerslink** partner in Switzerland

THERE HAVE ONLY BEEN A FEW LINES of business (LOB) where coverage applied for Covid-19, Edoardo Leusciatti, partner at SRB Assekuranz Broker AG, Brokerslink Partner in Switzerland tells *Commercial Risk Europe*.

"This includes travel insurance policies written before the travel warnings went out and epidemic insurance policies for certain industries such as food and beverage, hotels and restaurants. However, in most of these epidemic polices, pandemic has been excluded, resulting in grey areas and discussions with insurers," he says.

"From our point of view, the insurance market worldwide did not respond to most clients' turnover and gross profit losses based on Covid-19 within their business interruption (BI) insurance policies as the cover related to property damage such as a fire, natural hazard or machinery breakdown," he adds.

"We do not see how the global insurance market could meet the demands from clients to cover pure financial losses due to pandemic incidents either currently or in the near future. The main reasons are the lack of insurance capacity worldwide and the dramatic accumulation of risks because of the global spread of the pandemic," Mr Leusciatti continues.

He says that for the time being it seems highly unlikely that the global insurance market will come up with quick solutions for BI/supply chain risks based on pandemic incidents. In fact, the risk is being increasingly excluded at renewal.

"Renewals are showing an increase in general Covid-19 exclusions across all LOBs, even those where we are not expecting them, for example in general liability. In a similar way to war, nuclear or asbestos risks, pandemic incidents are perils that are – barring some minor exceptions – uninsurable through the traditional insurance market," according to Mr Leusciatti.

He says global insurance market hardening has accelerated during the past couple of months.

"Most global players in the market reduced their capacity based on reduced capitalisation as a result of negative technical results. Many insurers have presented loss ratios around 100% or higher in recent periods," he says.

Traditionally, insurers have been able to compensate negative technical results with earnings from the stock market. But with today's lower interest rates and volatile stock markets, the situation has changed and it is important for carriers to have a robust insurance book with positive technical results, says Mr Leusciatti.

"For clients, risk management and loss prevention programmes have become more and more important. Policies with high loss frequencies and/or big losses have seen an adaption of terms and conditions that means higher deductibles and premiums, as well as restrictions in coverage and exclusions in wordings. Focusing on loss prevention seems to be the key in this situation," he says.

WORKING ENVIRONMENT

Mr Leusciatti also says that the pandemic has created new risks, for example with the huge jump in homeworking. "Only time will tell if this is sustainable or not," he says.

In addition, a lot of clients are now reviewing their supply chain risks to make production more independent and resilient to lockdowns.

"The crisis is likely to significantly accelerate the shift to digital and fundamentally shake up the business landscape," says Mr Leusciatti.

And he is worried that some businesses may have taken their eye of the range of other risks as they struggle with Covid-19.

"Since March, the worldwide focus has been on handling the Covid-19 pandemic… This has, however, meant that other global threats have been neglected or have not had the same focus as before – most notably climate change," says Mr Leusciatti.

"Cyber and extortion have also become more important for clients, with the risks even more of a focus because of the impact of new working patterns. We have seen more demand from clients for insurance coverage and loss prevention programmes to manage cyber threats," he adds.

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their insurance programmes, and bring in threats that may have been lower down the risk register in the past.

David Howells, director of group risk management at Tetra Laval, explained: "For example, we need to be considering the risk of civil disruption. Take what has been happening in the US and then think about the risk of an escalation in civil disobedience should there be a second lockdown."

That brought the group onto a conversation about what the "new normal" might look like.

"Any business that thinks it will soon be business as usual is in for a shock," warned Mr Howells.

"Everything has been impacted, whether that is the global economy, manufacturing and supply chains, logistics and everything in between. The big question for me is whether we can now do things better and smarter. Digitalisation has already become far more important than six months ago and the organisations that will survive are the ones that recognise this and are agile enough to react and factor it into their strategy," he added.

'FUNDAMENTAL SHIFT'

Sabrina Hartusch, global head of insurance at Triumph, agreed that the future will be very different. "It may result in a fundamental shift in terms of property, with big businesses no longer requiring the matching big offices," she said.

Ms Hartusch suggested that everyone needs to consider the shift. "You might think that heart surgeons, for example, would be immune from this shift. But that is not necessarily so. Think of the advancements in technology and robotics, and we could see a time in the not-too-distant future where robots are operating on people instead," she said.

The group feels there has been a seismic shift and it is very unlikely the world can return to pre-Covid-19 patterns. "We have reached a critical mass," said one, "and there is no turning back now. Senior managers who had no faith in people's ability to work from home have changed their minds and employees themselves are no longer prepared to commute five days a week."

Thinking outside the box both in terms of risk management has therefore become the order of the day, they agreed.