



Inflation and insurance considerations

DELIVERED BY DIANE JENKINS ACII, CHARTERED
INSURANCE BROKER

SEPTEMBER 2022



Introduction / housekeeping

Welcome and thank you!

Webinar format – muted and video off. Interactive features – polls, Q&A

60 minutes including short period of Q&A



Diane Jenkins

- Background in Insurance Broking Sector – technical programme design, M&A due diligence, BI reviews
- Former chair and education secretary of London Business Interruption Association

Nick Thomas & Associates

- Specialist training, coaching and consulting to the UK Insurance Sector
- Technical insurance, sales, business and soft skills, compliance training , performance, resilience and wellbeing training

Objectives

- Be aware of the affect that inflation has on insurance
- Know which covers help provide clients with protection against effects of inflation
- Be able to identify claims issues caused by inflation

Inflation and insurance

“Inflation is as violent as a mugger,
as frightening as an armed robber
and as deadly as a hit man.”

Ronald Reagan



[This Photo](#) by Unknown Author is licensed under [CC BY-SA-NC](#)

Inflation and insurance

Social inflation - insurers' claim costs rise over general economic inflation

- Huge issue in liability classes
- Started in US but now a global issue

Factors

- Socioeconomic – social inequality, social media
- Legal – higher awards, aggressive legal tactics
- Behavioural changes – more likely to take legal action, 'someone' must be blamed



Inflation and insurance

Solvency margins

- Investment profits
- Reserves – may need to increase reserves for old claims
- Increasing costs – wages, rents, power

Rate increases

- Reinsurance costs increase

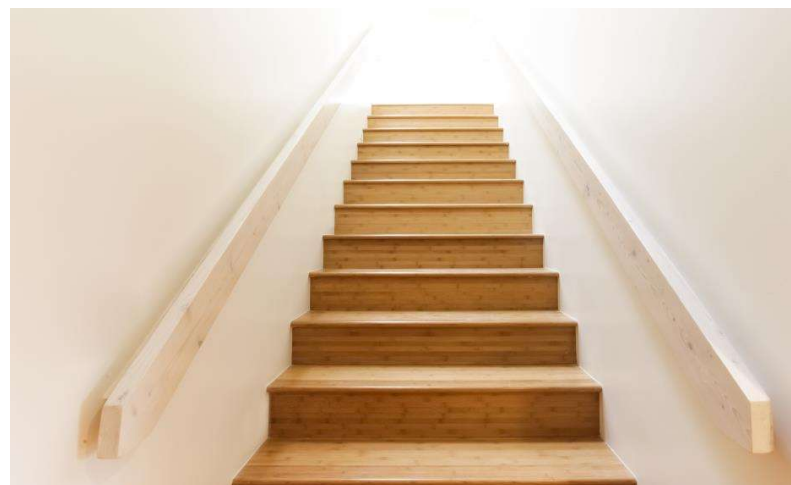
Hard market continues



Inflation and sums insured/limits

Rapidly rising economic inflation can cause issues during policy periods

- Underinsurance – average
- Inner limits too low
- Limits of liability rapidly out of date – claims settled in following years
- Fair presentation – regular revaluations

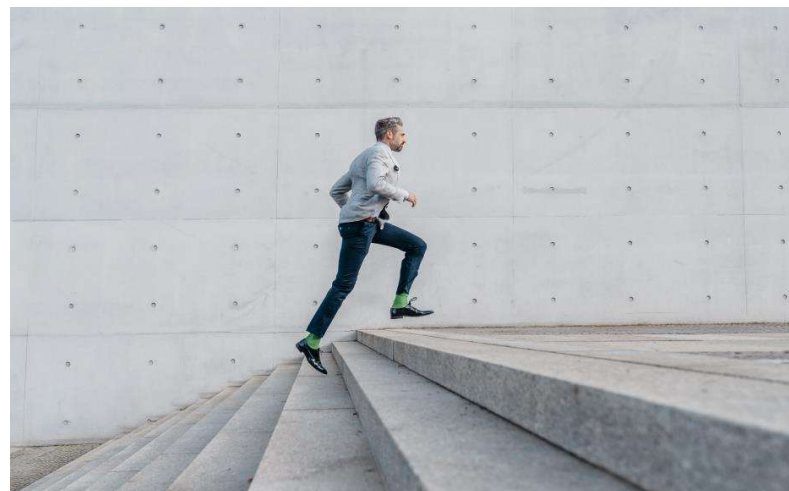


Inflation – insurance

Property

- Declared value – 150% (may be AP)
 - labour shortage and costs of materials pushing up reinstatement costs and time
- Index linking good starting point
- No average if revaluations done
- Use adjustable limits
- Check all inner limits
- Consider first loss limits – may reduce costs
 - e.g., fees, debris removal, stock
- Revisit risk management – may now be cost effective

NB Rebuilding inflation often higher than general inflation



Inflation – insurance

Business Interruption

- Declaration Link – takes out average
- Do adjustment at year end
 - encourages clients to use optimistic estimate if know can get money back
- Review extension cover limits
 - especially suppliers – very volatile supply chains
- Put extensions limit as percentage



Inflation – insurance

Liability

- Limits – including sub limits
 - trigger
 - consider how long it may take to settle the claim
 - don't forget about social inflation
- Layer attachment points



Inflation – insurance

Supply chain

- May need to protect supply chain
- Delays
- Consider supply chain risk management

Credit

- Reconsider credit insurance
- Difficult economic situation globally

Political Risks

- Geopolitical issues caused by inflation – civil unrest



Inflation – insurance

Motor

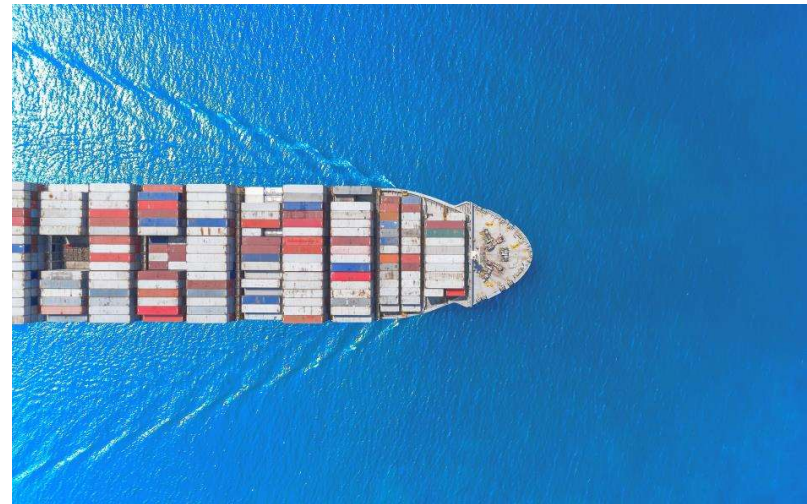
- Rising repair costs – more write offs?
- Replacement vehicles difficult to source – chip shortage
- Increased price of second-hand vehicles
 - will increase insurers costs
 - fair presentation – fleet details
- Accumulation of vehicles at premises – add clause to property
- Gap cover



Inflation – insurance

Aviation/Marine Hull

- Often leased – issues with replacement values
- Residual Value insurance
 - values set on historical depreciation – no inflation allowance



Inflation – claims

Reductions for underinsurance likely to be more common

Regular reviews of reserves

Liability – use triangulations to track reserve movements

Proactive claims management – get settled as quickly as possible



Objectives Revisited

- Be aware of the affect that inflation has on insurance
- Know which covers help provide clients with protection against effects of inflation
- Be able to identify claims issues caused by inflation

Thank you! Questions?

Contact:

Email: nick@nickthomasassociates.co.uk

Telephone: 07767 647812

LinkedIn: <https://www.linkedin.com/in/nick-thomas-64046113/>

LinkedIn Company:
<https://www.linkedin.com/company/nick-thomas-associates/>

'Up to the minute training solutions addressing the challenges of the modern insurance professional'

