



***** RISK UPDATE ON PREPARING FOR THE GENERAL DATA PROTECTION REGULATION (GDPR)**

FROM INTEGRITY***

2018 – THE YEAR OF COMMERCIAL INSURANCE PRICE HIKES?

By Gary Horswell – Managing Director

Adverse weather, property damage and tragic loss of life are all too common events that Insurers regularly face but, for the first time in some years, a succession of catastrophes might result in changing the insurance market.

According to Wikipedia, 2017 has been a hyperactive hurricane season with 17 named storms, the highest number since 2005 and the greatest number of consecutive hurricanes in the satellite era. The total cost of damage is still being quantified but it is considered already to be the costliest season on record. Add in two earthquakes in Mexico to Hurricanes Harvey, Irma and Maria and the estimated cost to Insurers is said to be \$95 billion (£72 billion). Higher estimates have been suggested and there is speculation that for some Insurers may be forced to rebuild balance sheets or perhaps even exit specific segments or the market entirely.

Closer to the UK, Insurers have had to adjust to a significant change in approach to calculating compensation for long term personal injury, the hitherto obscure Ogden rate. Prior to March 2017 when awarding lump sum compensation, Insurers were able to discount awards by 2.5% annually for the period of life expectancy to reflect the investment benefit that a lump sum might confer compared to receiving periodic payments. Recognising reduced opportunities for investment returns of late, the rate was changed earlier this year to -0.75% increasing the amount payable, in some cases vastly. Insurers had to re-calculate their original estimates for compensation awards for claims not settled at the time of the rate change, without being able to charge any additional premium. They are also expected to revise how they calculate future premiums. One commentator at the time predicted that no Insurer in the UK would make a profit in 2017 due to the Ogden rate change alone.

The Grenfell Tower tragedy in London has caused Local Authority Landlords across the country to review tower block safety and cladding with discussions involving architects, engineers and contractors. If the ultimate cause of the blaze is found to be a design issue there could be many construction professional indemnity claims arising.

Then of course there is GDPR, as Insurers brace for claims for compensation from May 2018. From that point, a data subject will be able to claim against organisations that do not safeguard personal data successfully. With no need to show any financial loss claims can be made for distress, and with the option for class actions and perhaps even jurisdiction shopping, the value of claims could easily bankrupt a business. PPI claims finally come to an end in 2019 and claims companies have identified data claims as the probable replacement. In the Morrisons case where judgement is expected soon, a

compensation claim level of £10,000 per person has been debated, for a class action group of some 5,500 (although 100,000 employees have had their data exposed).

How Insurers will factor these events into their renewal quotations for 2018 remains to be seen. The impact is likely to be different for each line of business but insurance is increasingly a global marketplace and technology is accelerating this convergence, meaning that weather incidents and losses in one part of the globe may well affect insurance appetite and premium levels elsewhere.

If your clients face unreasonable premium increases for commercial lines of insurance in 2018, our advice is to work with their brokers to either negotiate with the existing Insurer or to approach other Insurers for quotes.

For your own insurances, particularly those with higher premiums such as professional indemnity and other types of liability insurance, group schemes such as the UK200Group facilities may be the most cost-effective option.

If you or your clients experience this in 2018 we are always willing to assist. Even if we do not offer the insurance causing concern, our network of contacts may well be able to help members and their clients in distressing situations. Initial discussions are always free of charge.

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