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UK Casualty Insurance Market Update

The UK casualty market is in transition, partly mirroring recent developments in the overall commercial insurance market. In the third quarter of 2019, casualty rates decreased 0.2% in the UK, and increased 2.9% globally according to Marsh's *Global Insurance Market Index.*

The UK casualty insurance market has been a buyer's market for several years – since 2006 the rate has dropped by more than 40% on primary and excess business. However, this started to change in 2019: UK rate reductions are still possible, especially on employers' liability, but on a much smaller scale in terms of both frequency and size than previous years. For companies with a poor-performing claims history, increases are prevalent.

One factor behind this has been the change in the global casualty market landscape, particularly the US, which has seen a growth of industry-catastrophic exposures and unprecedented large-scale jury verdicts.

The median cost of the top-50 US verdicts has doubled between 2014 and 2018, from US$27.7 million to US$54.33 million.

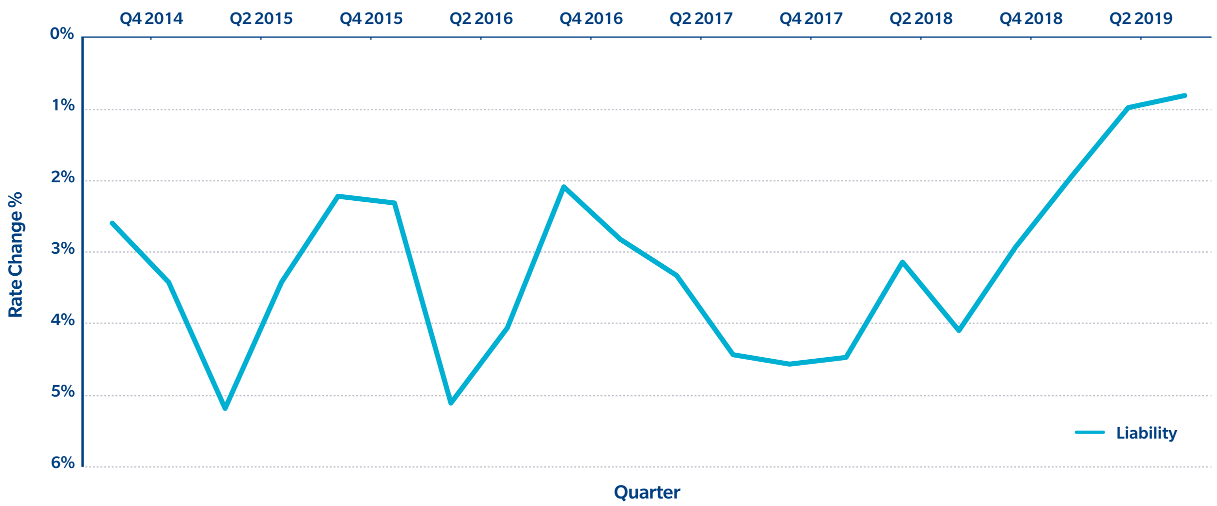
Due to significant losses, US and international casualty business written in the UK have seen average rate increases of 15%-20% and 10%, respectively.

Although the UK domestic casualty market has not seen similar large losses, it has been somewhat affected because insurers write global casualty business, and large UK companies also often have large overseas casualty exposures.

FIGURE 1

UK casualty rate changes have reduced in recent quarters.

SOURCE: MARSH GLOBAL ANALYTICS



The UK casualty market is reducing capacity, and coverage is under more scrutiny than ever with greater underwriting discipline applied. Coverage extensions that may have been granted in previous years (for example, pure financial loss) are harder to place at the same price and limit.

The EU General Data Protection Regulation (GDPR) is also far more of a concern and focus for insurers. In previous years, some data protection cover was often provided in casualty wordings for no additional cost. However, with the change in data privacy regulation, increased data breaches, and focus from claimant solicitors to put together group litigation for "distress", insurers are sub-limiting cover for GDPR. All companies have GDPR exposures and should consider standalone cyber insurance.

Planning for Renewals

The casualty market is expected to transition further in 2020, in part influenced by the January reinsurance treaty renewals. Underwriters are particularly scrutinising difficult risks, but are also seeking to increase rates for companies with favourable risk profiles and loss histories. Companies should also expect insurers to push for tighter terms and conditions in casualty policies.

Companies should work closely with their risk advisers to determine strategies for upcoming renewals. Among other actions, they should:

- Focus on differentiating risk, including articulating casualty loss control and prevention strategies that can improve their standing with underwriters.
- Start the process early to allow enough time for their risk advisers to negotiate with the market to achieve the best possible result. In 2019, achieving the right coverage and ensuring full capacity has generally taken twice as long as before, and 2020 is likely to be even more challenging.
- Use data and analytics to determine the most efficient ways to finance casualty risk.

For further information, please contact your local Marsh office or visit our website at marsh.com.

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