

# Issues Facing The Market

PIF Conference, 2<sup>nd</sup> July 2024

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# PIF Forum



## Consultation Responses

- Architects (RIBA review of PII)
- ICAEW - PII Arrangements
- SRA – Inclusion of CILEX members
- FCA - Independent Financial Advisors – Personal Investment Firms Capital Retentions
- RICS – Proposals to change RICS PII Requirements
- FOS - Consultation on Charging CMC's a fee



# PIF Forum



## External Stakeholder Engagement

- DLUHC – EWS 1 cover and model clauses for BSF work, conveyancers
- UK Finance – Fire Safety roles and responsibilities of conveyancers
- Law Society – Non Payment Of Premium/Run Off
- Tax Watch – professionalism in the tax advice industry
- FRC - Roundtable on Audit Firms with PIE Clients
- Law Society – definition of unbundled legal services



# Issues Facing The Market



ECONOMIC  
UNCERTAINTY



GEOPOLITICAL  
INSTABILITY



REGULATORY  
ENVIRONMENT



INFLATION



MARKET  
CONDITIONS



EMERGING  
EXPOSURES

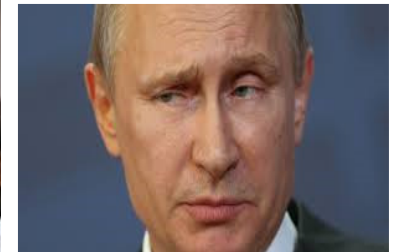
# Economic Uncertainty

OECD Economic Outlook Volume 2024

	GDP Forecast			Unemployment Rate Forecast			Consumer Inflation		
	2023	2024	2025	2023	2024	2025	2023	2024	2025
UK	0.1%	0.3%	0.9%	4.0%	4.5%	4.7%	7.3%	2.7%	2.3%
USA	2.5%	2.6%	1.8%	3.6%	3.9%	4.0%	3.7%	2.4%	2.0%
Euro area	0.5%	0.7%	1.5%	6.5%	6.6%	6.4%	5.4%	2.3%	2.2%
Canada	1.1%	1.0%	1.8%	3.9%	2.4%	2.1%	3.9%	2.4%	2.1%
Australia	2.0%	1.5%	2.2%	3.7%	4.1%	4.3%	5.6%	3.4%	2.9%

# Geopolitical Instability

2024 an unprecedented year for elections



# Geopolitical Instability

## General/parliamentary/presidential Elections in 2024

18 in Africa



8 in Americas



23 in Asia Pacific



18 in Europe



# Regulatory environment



Vehicle financing, premium financing, GAP Insurance, Fair Value  
Proposals to publicise enforcement investigations



Audit reform  
Enforcements and fines



SSB Law  
Lack of engagement



# Inflationary Environment

General Inflation

Social Inflation

Construction Inflation

Legal Costs Inflation



What level of claims inflation should we allow for?

# Inflationary Environment

## **Social Inflation**

- Mainly considered an issue for the US, but will it spread?
- Tactics from plaintiff lawyers
- Litigation Funding

## **Construction Inflation**

- Build costs up 24% since 2020. Forecast 15% increase in costs over next five years
- Rates in the past would not have anticipated current construction costs
- Are we truly reserving enough to allow for these increased costs?

## **Legal Costs Inflation**



# Market Conditions

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# Market Conditions

The market is boosting reserves in Commercial Casualty



Moody's estimates a modest deficiency in long-tail casualty lines as of year-end 2023

# Market Conditions

## **Run Off deals**

- Popular mechanism to free up capital
- Brokers and clients generally don't like it
- Time will tell if these have worked for run off carriers
  
- **Alternative risk transfers**
- Captives
- Larger retentions

# Market Conditions

- Rates are softening – at odds with the inflationary environment?
- Brokers are seeking larger remuneration deals
- Underwriting margins are getting squeezed potentially at the wrong time?

# Emerging Exposures



CLIMATE RISK & ESG



CYBER



AI



TERRITORIAL  
EXPOSURES  
CHANGING



CONSTRUCTION

# Sector Specific

## **Lawyers**

- Discovery Land vs Axis – aggregation and condonation
- RSA vs Tughans - recovery of fees
- AI
- SSB Law – use of ATE cover

## **Accountants**

- Audit scrutiny – 4% of frauds detected, FRC and PCAOB proposals
- Insolvencies are increasing
- New reporting standards



# Sector Specific

## **Property Professionals**

- Interest rates and performance of housing market
- New roles and responsibilities introduced by BSA

## **Financial Advisors & Brokers**

- Options UK Case Law – use of unregulated advisors
- FCA increasingly looking at commission based services

## **Construction**

- Insolvencies – BCIS Forecast 5.5% reduction in output for 2024
- Building Safety Act
- Legacy exposures
- Building costs inflation

**Thank You!**