

Commercial Risk **Europe**

CR

Insurance & Risk Management News

Dutch risk managers advised to focus on risk management as market hardens

By Adrian Ladbury on September 23, 2020



Credit: iStock/NicoElNino

Narim members must focus on loss prevention and risk management more than ever before as they face up to what will be the toughest renewals for a long time, with the market reeling from the impact of Covid-19, said Guido Verheijden, director global and specialty at Amsterdam-based independent intermediary Meijers Insurance Brokers.

Mr Verheijden spoke to *Commercial Risk Europe* as the Dutch risk and insurance management community gathered for the virtual Narim congress late last week.

The congress focused on the rapidly changing global economy and rise of new technologies such as artificial intelligence. But Adri van der Waart, president of Narim, used his opening remarks to warn members to prepare for battle with insurers as difficult renewals loom.

Mr Verheijden agreed that Dutch risk managers can expect a difficult period – particularly in D&O, wider financial lines and property – because the pandemic has driven the price of capacity even higher.

“According to our expectations, mostly D&O and financial lines, followed by property, will be hit hardest. Rates will increase across the board but in some cases insurers are willing to look at the individual risk. We are also seeing a reduction in capacity because of the recent consolidation among carriers. We see substantial changes in terms and conditions and new exclusions. Insurers point out that they have been insuring increased risks at lower premiums for years and that is why they see this as a fair correction in line with the risk they cover. We expect a much stricter approach this year and less room for exemptions,” explained Mr Verheijden.

So, the big question for Narim members is: what do they need to do to ensure they secure the best possible terms and conditions during coming renewals?

Mr Verheijden agrees with most risk managers, brokers and insurers that *Commercial Risk Europe* has spoken to about this critical topic in recent times – start early, deliver the best possible information and, if possible, involve senior management so you prepare them for a difficult renewal.

“Make an early start, and abundant and accurate information will help Dutch insurance managers get the best possible solutions. At least it will help to get their proposals through in an early stage in order to analyse, make adjustments and negotiate as far as possible in this market,” said the broker.

“Clients and insurers need time and attention to understand each other and create a level of comfort. Time is also essential for the insurance manager to prepare their organisation for changes ahead. Clients acknowledge that insurers are also looking for more background information in order to better understand the

processes, create more knowledge about their risk profile and follow the progress on prevention and risk management implementation,” he added.

The role of the broker becomes more important than ever in such a market as risk managers review their risk exposures, appetite and transfer options, argued Mr Verheijden.

“Risk managers should consider all options carefully because the alternatives in the market are limited. As far as we are concerned, it is crucial that brokers bring all options to the table. Direct or reinsurance placements, national or international market approach, captive or self-retention. The major driver for the sustainability of insurance programmes is knowing your risk, and implementing risk management and prevention. In addition, given the vast amount of cancellations, getting the right amount of time and attention from carriers will be difficult, but also crucial to secure the optimal solution. This too, we consider one of the main tasks of the broker,” he told *Commercial Risk Europe*.

The lack of business interruption coverage for pandemic risk has come as quite a surprise to many smaller businesses across Europe and the US. There does, however, not appear to be much of an appetite for a state-backed solution in the Netherlands, as there is in the UK, France and Germany. Mr Verheijden does not rule it out but hopes the commercial insurance market will respond over time.

“We can learn from historical cases such as the Dutch floods in 1953 or the 9/11 terror attacks on the US. Such catastrophic risks became too large for insurers alone. This is where governments step in with pools offering (partial) cover. It works best if the scheme is designed in cooperation with commercial insurers,” he said.

“On the other hand, we understand from the communications of large international carriers that they include the risk of pandemic within their loss scenarios. So, we would expect this to remain an insurable risk at the current mechanics and appropriate coverages. Usually, after a period of time, commercial parties will typically step in again to offer new solutions, such as non-material business interruption and/or other risks that were considered uninsurable before,” he added.