



**Vanessa Maxwell,
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Editor: *What is the state of the market for financial institutions?*

VM: The financial institutions market is becoming increasingly challenged across the board in the UK and Europe, and banks and insurance companies are feeling the greatest impact of hardening rates and lost capacity as carriers cut back and remediate their portfolios. While these trends were sparked by historical losses, they have been accelerated by the uncertainty of the global public health crisis.

Many companies are dramatically cutting lead lines and markets are managing capacity downwards in response to the volatile claims trends for financial institutions. The fact that many Lloyd's carriers are already at stamp capacity is furthering pressuring capacity.

Coverage is tightening. For example, many carriers are dropping reinstatements, which had become common during soft markets, particularly on Side A coverage.

Editor: *What about the Professional Indemnity market in the UK and Europe?*

VM: It's a very similar and challenging scenario in the PI market. While specifics vary by profession, average rate increases of approximately 15 percent are the norm. We have seen UK rates hardening more quickly than the rest of Europe, however European renewals are by no means immune.

Following the Lloyd decile 10 review two years ago, international PI markets have been looking to improve portfolios and this is likely to continue as markets manage new exposures and work to de-risk, especially when it comes to heavily recession-sensitive business. Claims trends are showing losses eroding high excess layers, causing companies to correct limits. Retentions are increasing and any one-claim limits are increasingly moving to aggregates. Coverage terms are tightening, and we are rapidly seeing that many traditional soft market offerings are no longer available.

The combination of rate increases and terms and conditions improving allow us to achieve a better rate adequacy on the financial lines portfolios. Focusing on these changes means will we be able to offer sustainable long term solutions for customers.

Editor: *What do you expect for the financial institutions and professional service sectors in 2021?*

VM: Financial institutions can expect more of the same, with aggressive capacity management, less coinsurance on programmes and more single layers from carriers, particularly on larger placements. As some carriers continue to remediate their books, and the economy makes performance of the sector uncertain, companies will continue to see rates rising, coverage restricted and more carriers exiting the space. Financial institutions will find fewer true lead markets in the UK and Europe; BHSI will be here as one of them.

When it comes to those professional service sectors where insurers have been dealing with the consequences of rate pressure since the financial crisis, many markets will continue to struggle, especially in the face of recent economic pressure. This will subsequently drive rate increases and restrictions in capacity while narrowing terms.

As is typical of times like these, we will see a flight to quality as customers and brokers are drawn to a carrier's stability, long-term view and claims proposition, rather than the cheapest price.

Editor: *What is your advice for UK- and Europe-exposed companies looking to optimize programmes at renewal?*

VM: Information is power. Companies and brokers should start early – four-to-six months prior to renewal—and communicate, communicate, communicate. Share as much information as possible about their situation, their strategies and their challenges. And get as much information as possible from your insurer. Transparency is key. At BHSI, we are committed to it. We make a priority to have frank conversations with our insureds and brokers and clearly understand the company's particular exposure, what's driving it, and be very clear about how it can impact terms and conditions at renewal. This way our insureds know exactly what to expect and how we arrived at our assessment of their risk. They can also actively manage the expectations of their key stakeholders.

This transparency is key to forging partnerships and securing sustainable coverage with the claims and litigation management that is the true underpinning of an effective insurance program in the UK, Europe – or anywhere.

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Vanessa Maxwell has been in the insurance industry for over 18 years, with international market experience working in the US and UK. As head of Executive and Professional lines at BHSI UK, Vanessa is responsible for the strategic build out and management of all financial lines products. Vanessa is an enthusiastic and ambitious individual with an impressive background in business leadership, underwriting excellence and business development & distribution across all lines of Professional & Executive insurance.

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