Browne Jacobson

Future Professional Indemnity Forum (PIF) panel round up: operating in a hard market

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On 23 January, the Future Professional Indemnity Forum of the IUA invited three industry experts to discuss the practicalities of operating in a hard market. John Taylor - Head of Specialty at Antares, Mike Perry - Partner at JLT and Phil Foley - Director of Foley Specialities answered an array of questions in front of an audience of future leaders in the professional indemnity market.

Ed Anderson, who welcomed the audience with a recap of past hard markets, and Charlotte Gregory, who moderated the panel, provide a round-up of some key take away points.

The psychology of operating in a hard market represents a major change for junior underwriters, particularly as many will have only operated in a soft market to date. It is rarely in any underwriters' DNA to walk away from a risk, but in hard markets the big picture needs to be seen. This approach can be difficult when 'in the trenches' writing risk by risk, but underwriters should not lose sight of wider underwriting strategy.

Detailed portfolio reviews should be undertaken with management to ensure a clear approach. The continued growth of MI since the last hard market has the potential to significantly impact how this anticipated hard market will play out. The market may only see rises in certain areas; even within lines of business. Historically, rate changes would be applied very bluntly across the board. Brokers and policyholders will expect more detail and data to justify proposed changes to terms.

In past traditional cycles, hard markets have been much shorter than soft markets. There is much to be said for 'going ugly early'.

Underwriting and broking expertise increases in hard markets. Underwriters can question things more and not be afraid to, for fear a broker might show the risk elsewhere. Hard markets aren't just about price and underwriters need the skills to look at other factors, especially the scope of cover provided, the removal of extensions, levels of deductibles and limits. More flexibility is required and brokers too need to sharpen their skills. Hard markets force them to work harder with clients to present the risk most effectively.

Early and effective communication is key. Risks will take longer to place and brokers need the earliest possible communication so that they can help their clients. It greatly assists brokers to understand the reasons behind underwriting decisions and underwriters shouldn't be afraid to give them. If rates are unsustainable then they should not be shy about explaining that: to remain in business, at some point an underwriting profit is necessary.

Underwriters in a hard market need to be confident, consistent and credible. Mentoring can really help. Maintaining relationships with brokers and their clients is critical and communication again lies at the heart of that.

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