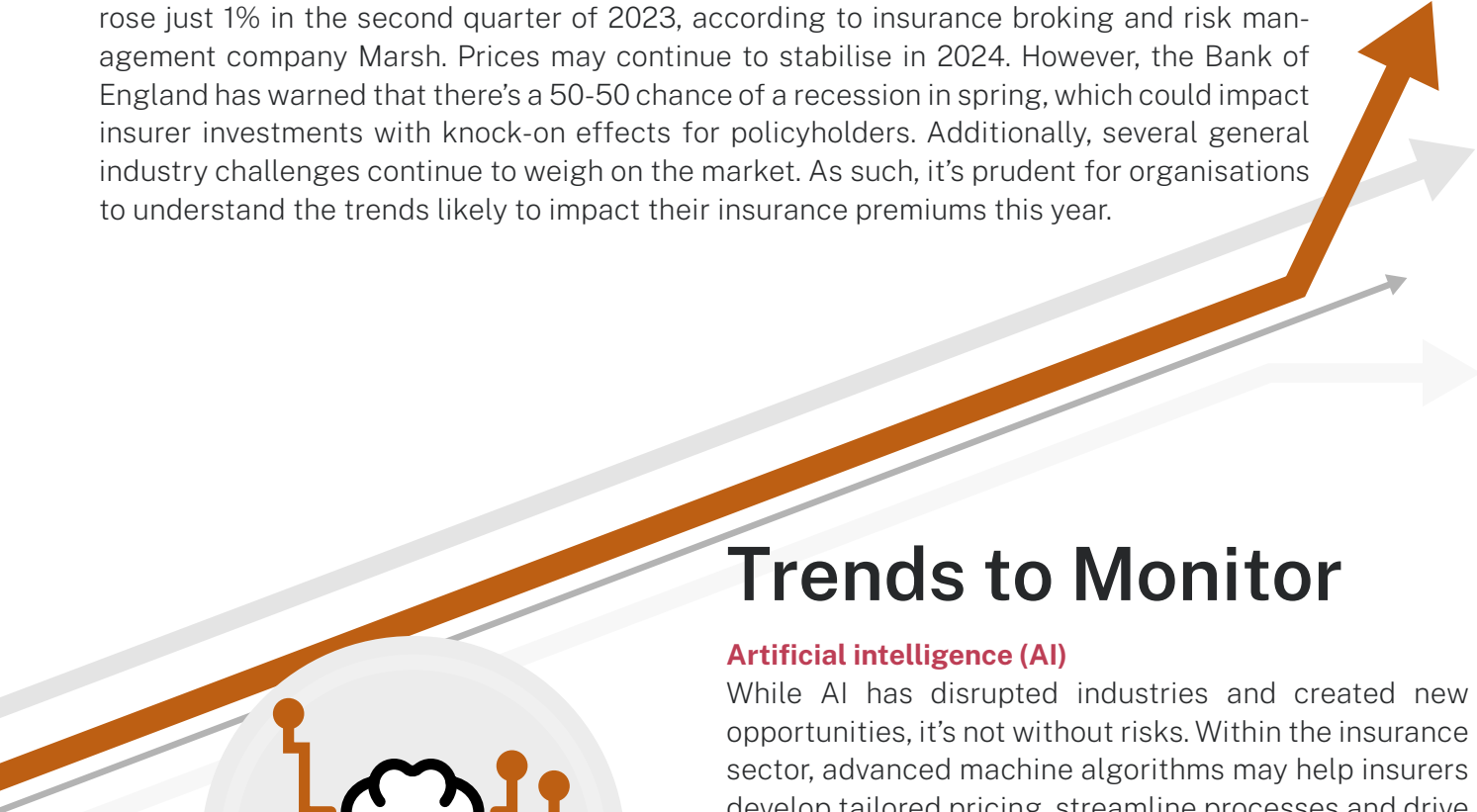


Disruptors to Monitor

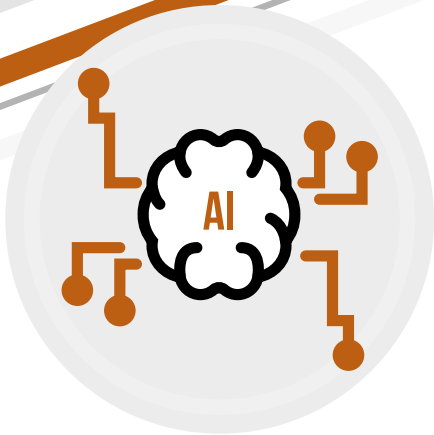
The commercial insurance marketplace has faced unprecedented challenges over the past few years, resulting in a hard market and rising premiums. Fortunately, price hikes appear to be stabilising, and some lines of cover have begun to soften. Indeed, commercial insurance rose just 1% in the second quarter of 2023, according to insurance broking and risk management company Marsh. Prices may continue to stabilise in 2024. However, the Bank of England has warned that there's a 50-50 chance of a recession in spring, which could impact insurer investments with knock-on effects for policyholders. Additionally, several general industry challenges continue to weigh on the market. As such, it's prudent for organisations to understand the trends likely to impact their insurance premiums this year.



Trends to Monitor

Artificial intelligence (AI)

While AI has disrupted industries and created new opportunities, it's not without risks. Within the insurance sector, advanced machine algorithms may help insurers develop tailored pricing, streamline processes and drive down costs, some of which may be passed onto policyholders. However, AI can also be weaponised for nefarious purposes, specifically cyber-threats. For instance, AI tools are now able to formulate sophisticated phishing messages, including convincing deepfake attacks, with minimal effort, leaving employers vulnerable to cyber-attacks. Organisations should understand both the risks and advantages of AI to help combat losses.



Extreme weather events

Catastrophic weather events continue to cause market disruptions. Eastern Scotland recorded its wettest October, according to provisional Met Office data, and several significant storms hit the UK last year, including three (Elin, Fergus, Gerrit) in December. Furthermore, 2023 was the hottest on record, according to the Copernicus Climate Change Service, and extreme weather events are more likely due to the effects of global warming. With unpredictable weather, it's harder for insurers to predict future risks. Therefore, insurance premiums could increase, especially for those in flood-risk areas.



Inflation

Although inflation has begun to ease, prices remain significantly higher than pre-COVID-19. For instance, the cost of vehicle repairs rose 32% in the third quarter of 2023 to a quarterly record of £1.6 billion, according to the Association of British Insurers (ABI). Additionally, construction build costs are expected to rise by 3% this year, according to the Building Cost Information Service. Overall, it remains expensive for insurers to cover incurred claims; as such, premiums could increase or policy offerings could change. Organisations must scrutinise policy terms and conditions to ensure ample cover.



Increased crime

The inflated price of goods and services has made certain products increasingly attractive to criminals. For instance, secondhand vehicle values have risen significantly in recent years. Consequently, payments for vehicle theft rose by 35% in the third quarter of 2023 compared with the year prior, according to the ABI. Other types of crime could also impact organisations in 2024, including employee theft, as the challenging economic climate may tempt otherwise honest individuals into crime to get by. Robust security and risk mitigation measures may be necessary for organisations to reduce losses and achieve the best insurance terms.



Contact us today for further guidance on market trends and to ensure your organisation is adequately insured for all 2024 has in store.