

A polarized insurance market

WTW's 2024 Market Report paints a picture of an insurance market where it has become more difficult for the large and slightly easier for small and medium-sized companies to find insurance.

By Martin Wex

New caps on sums insured, a need for more co-insurance and stricter documentation requirements. The insurance market in Denmark has become more complex, making it harder for businesses to get the cover they want. This is according to WTW's analysis of the insurance market in the 2024 Market Report.

»2024 has been characterized by many fires in Denmark and abroad, resulting in major losses of assets such as buildings, production facilities and inventories, as well as significant operating losses. The

majority of the bill ends up with the insurance companies, and this has made them more cautious about what they want to insure in the future – and in many cases has led to changed terms,« says Chief Broking Officer Jesper Danvad from WTW.

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Jesper Danvad

Chief Broking Officer, WTW

During 2024, several insurance companies have announced new caps on sums insured – so-called loss limits – which set an upper limit for how much compensation the company can receive from the insurance company in the event of a claim.

»Insurance companies have previously been able and willing to insure several risks without limits, but now we see loss limits of, for example, DKK 750 million. A loss limit can be problematic if the

company suffers a loss that is greater than the limit. If an introduced loss limit is below the customer's actual exposure, there is a risk of underinsurance,« says Jesper Danvad.

According to Jesper Danvad, the new market conditions require increased attention and often a redesign of the insurance program so that the company has the necessary sum insured and is not affected by the limitations.

More co-operating insurance companies

Insurance companies are also increasingly refusing to take on the full risk, and therefore there may be a need to bring more insurance companies into play.

»We see more and more often that even large insurance companies are shying away from offering 100 percent of major risks – primarily in the property damage area. Instead, they want to take on a smaller share – perhaps 10, 20 or 30 percent – of the risk, but are then willing to take on several different risks,« says Jesper Danvad.

This provides the risk diversification that insurers are looking for, but also means that corporate insurance solutions require the participation of several co-operating insurers to achieve a 100 percent coverage.

»These types of solutions can easily be well-functioning, but it requires more resources and increased attention from both our clients and WTW when we work together to ensure that composite solutions work optimally in terms of price and terms – and that, for example, no unnecessary complexity arises when the damage occurs,« says Jesper Danvad.

For example, if four insurance companies each carry 25 percent, problems can arise in the event of a claim if the insurance companies have four different opinions and processes.

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Torben Højlund

Executive Vice President, WTW

»Such issues need to be managed in advance – and that is where WTW plays its part. We have extensive experience with co-insurance, layered programs, lead insurer clauses and much more that can handle these kinds of challenges,« says Jesper Danvad.

Increased competition for smaller companies

According to Executive Vice President Torben Højlund from WTW, the new requirements and conditions affect larger companies in particular, while smaller and medium-sized companies are slightly better off because property damage losses are often far below the insurers' loss limits.

»Insurance companies find the risks of small and medium-sized companies extremely interesting because it provides greater risk diversification, which is why insurers are often willing to offer this segment the full sum insured. There is increased competition for small and medium-sized companies, which gives us the opportunity to negotiate favourable terms on behalf of our clients,« says Torben Højlund.

This is particularly evident in the WTW Insurance Pool (WIP), WTW's insurance pool for small and medium-sized businesses. According to Torben Højlund, WIP provides the opportunity to obtain prices and conditions that are generally only available to much larger companies.

Stricter documentation requirements

All companies – regardless of size – are faced with increasing demands for accurate risk information so that the insurance company can form a clear picture of the risk.

»Insurance companies used to be able to turn a blind eye to inadequate risk information and instead increase prices in order to charge for the unknown sub-risk. Those days are over. Today, insurance companies are increasingly choosing to decline risks if the company is unable to provide accurate, up-to-date risk information,« says Jesper Danvad.

WTW has initiated a forum with a number of major insurance companies to, among other things, take a closer look at what future risk descriptions should look like to provide insurers with the information and documentation they need.

Download the 2024 Market Report and read WTW's analysis of the development in premiums, deductibles, sums, coverage and supply in 15 key insurance markets.