

Claims inflation and supply chain disruption unbalancing P&C market once more, says HDI Netherlands

👤 Liz Booth • June 20, 2022



📷 Sharon van Herel, country manager for the Netherlands, HDI Global. Credit: HDI Global

Just as capacity was returning to the market and risk managers were finding most insurance easier to sort, claims inflation and supply chain difficulties look set to unbalance things once more, warns Sharon van Herel, country manager for the Netherlands at HDI Global.

Van Herel said "claims inflation is a real problem and we are seeing it in the numbers". "Costs are simply going up, particularly in liability," she added.

This is causing an imbalance between premiums coming in and claims payments going out.

"We have worked so hard with our clients for the past few years in righting the imbalances in our portfolios, ensuring that pricing is at sustainable levels. We cannot risk going backwards now but there is a threat that claims inflation will

unbalance us again," she told *Commercial Risk Europe* as part of our Risk Frontiers Europe survey.

So, just at the point risk managers were hoping for relief from rising premium prices, Van Herel said insurers are having to take a hard look at the books once more. "We want to remain a healthy insurer that can deliver for our clients, so we are engaging our clients in conversation to explain what is happening," she explained.

"We lost that dialogue for 15 years as prices were falling, but we have found it once more and do not want to lose it as we all work our way through this extremely unpredictable time," she added.

Van Herel noted that one of the most important elements of many claims is business interruption. She said post Covid-19 supply chain problems are having an immediate impact on these losses.

"In previous years, we would have always encouraged clients to have at least two years business interruption (BI) cover in place. As you can imagine, rebuilding a factory after a major fire takes time and the client needs to be comfortable that they have sufficient BI for the length of time it might take. Now we have a situation where even two years might not be long enough because of the supply chain delays. We are having plenty of conversations with clients about this to ensure there are no gaps in coverage," said Van Herel.

Another growing challenge for the market is that Covid-19 has changed corporate strategies. "For example, a factory owner may have decided that, should there be a fire, he would not rebuild but relocate. That is a challenge as an insurer. We will need a lot of conversations about exactly what they want cover for and how it would work," said Van Herel.

Meanwhile, clients also want to upgrade buildings to take into account the growing need to manage their ESG demands. "That is also a challenge because in the Netherlands we are

legally only allowed to put clients back into the same position as they were in before the insured event. We are not allowed to add improvements,” she said.

Adding: “However, it makes sense from a client perspective that if they have to rebuild, then they should adopt the greenest principles and build with carbon neutrality in mind. That puts them at odds with their insurance cover. We want to stand by our customers and support them in that too.”

Van Herel said risk managers are increasingly putting ESG on the agenda and that concerns about climate change will only increase. Not only is it a physical problem from potential flooding or drought, but it could lead to yet more geopolitical uncertainty, she added.

So, insurers need to maintain their support for clients and enable them transition to greener solutions. The Dutch government has been encouraging development of greener fuels, particularly hydrogen. Van Herel said hydrogen poses a risk for insurers but she said it is important to maintain dialogue with clients so that risk appetite remains unchanged and they can provide workable solutions.

She added that there has been a real push on diversity among clients and the insurance sector. This helps companies attract new talent, which has become a risk in itself in the Netherlands.

Like so much of Europe, the country is seeing a growing shortage of the right people for the right jobs. Companies, including insurers, said Van Herel, are having to work much harder to attract and retain the right people.

“In the next five years, many people are set to retire. The question is whether we are doing enough to attract people from what will be a smaller pool of the working population,” she said.

