



# Premium View

For insurance companies

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## Aon's Insurance Companies Practice

We are a long-established specialist practice with a core team of 25 experts, looking after over 140 insurance company clients. We are represented globally with offices in Denver, New York, London, Hong Kong and Bermuda and offer:

- Technical expertise across all lines of insurance
- Leading industry intelligence and significant market leverage
- Global, real-time benchmarking
- Experience in crafting globally compliant solutions
- Dedicated claims management and advocacy through a team of UK and US qualified lawyers

## Nine step approach to a successful D&O programme

There is a growing awareness and demand for globally compliant D&O products due to: increased regulatory sophistication overseas; newly enacted governance codes; cross-border collaboration between regulators (insurance, tax and securities); and increased actions against directors and officers across the globe.

As the international legal and regulatory framework continues to evolve, we have developed a **best practices guide** to evaluate and address our clients' potential global D&O risk, based on a nine step approach and supported by our unique database (*Aon Financial Services Group's Country Purchasing Guide*) containing relevant information for more than 195 countries and territories including:

- Whether or not non-admitted insurance is problematic
- Insurance policy tax rate information
- Penalties for non compliance with insurance laws / regulations on purchaser / insurer
- Likelihood of a D&O claim occurring and indemnification rules. (Law in 38% of countries allows for indemnification in given circumstances, 3% do not permit it and 59% do not address the subject)

For further information please contact Teresa Carr:  
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## Market interview

**Alison Wilkinson** ACII, Chartered Insurer  
 Senior Underwriter, Financial Institutions



**Full name of Company or Syndicate**

ACE European Group Ltd (AEGL) and Syndicate AGM 2488

**Length of time engaged in underwriting insurance companies**

I have been underwriting financial lines at ACE for 8 years. Prior to that, I spent 27 years in the corporate insurance industry specialising in liability business in both broking and underwriting roles.

**Market conditions for insurance companies for Crime, PI and D&O?**

Current market conditions for this class of business are difficult at the moment and the experience is mixed between the Crime, PI and D&O.

The UK D&O market is quite buoyant and we continue to see competition and some rating pressure. There is now more stability in pricing after the drop off in rates of the past few years.

We are now seeing rate increases for PI business which need to be sustained over a long period in order to return to profit. Price pressure, broadening in scope of cover, increased claims activity, both in the UK / International and US books, along with increasing regulatory scrutiny, have pushed the PI book into a challenging position. The systemic nature is one of the main concerns in this book: any major issue affecting one insurance company, bank, asset manager or other Financial Institution is likely to affect all other market players in that industry in some way. Changes taking place in the industry including Solvency II requirements and new regulatory structures are also likely to continue to impact the PI book.

Crime for insurance companies continues to perform well, with the majority of losses being small agent fraud losses, although we have seen a few larger losses come through on occasion. As a result this book tends to remain stable at present.

**In terms of claims / circumstances is there any particular trend proving dominant in the notifications?**

While there is no one significant dominant trend arising from insurance company claims, large multinational companies will generally be more prone to claims activity through their wealth and asset management arms as these are generally more susceptible to market fluctuations (downturns especially) and to the controls in place to run them.

Some of the most common claims we see in the market include:

- Coding in quant investment models being flawed
- Illiquid funds when money supply was constricted
- Insurance companies with real estate investment arms where the declining value of property directly affected the fund profitability
- Mis-selling of both insurance and wealth management products
- Claims arising out of impenetrable costs and charges in the life insurance sector

*continued*

We are also seeing an increasing number of investigations into corporate affairs and into material breaches, brought on by self reporting, section 166 reviews and follow on investigations.

**What has been the attitude of your company / syndicate on mitigation cover following the Standard Life decision?**

Mitigation cover is an important aspect of the cover we provide, particularly to our financial lines clients. As regulatory oversight becomes increasingly prevalent there will become more demand on our clients to act quickly to avoid or reduce their potential liabilities. Recent developments in this area have highlighted the need for the parties to have a clear understanding of what such clauses do and do not cover. What we need to achieve is a balance that provides our clients with the cover they need at an appropriate risk / reward level, without providing payment for losses that fall outside the realms of insurance. ACE is dedicated to communicating transparently with clients in order to achieve that balance with them.

**Global capability / compliance solutions**

ACE is a leader in the delivery of global programmes. Our key platform for multinational programmes is our ACE GPS<sup>SM</sup> solution (Global Programme Solutions) which benefits from our indigenous expertise and our global network to deliver compliant and client focused solutions that meet local rules and regulations requirements, however complex clients' needs may be.

In addition clients can have a real time comprehensive overview of their global programmes through our unique ACE Worldview<sup>SM</sup> web platform.

We can also offer a single product, through our Lloyd's syndicate platform, which will respond on an admitted basis to a select number of countries where some of our competitors are not licensed, albeit narrower in reach in relation to the ACE network.

## Cyber / network and data risks

Despite cyber crime being acknowledged as a growing concern for many organisations and that it "now ranks as one of the top four economic crimes"<sup>(1)</sup>, we know that traditional insurance policies only go some way to providing mitigation for the key cyber risks of reputational damage, theft or loss of personal data and service disruption. Our approach is to address this by:

- Understanding your risks and tolerance
- Identifying extent of cover under existing insurance
- Providing bespoke wrap-around coverage to meet your needs

To hear more about our risk matrix approach please contact Teresa Carr: [teresa.carr@aon.co.uk](mailto:teresa.carr@aon.co.uk) +44 (0)20 7086 4690

<sup>(1)</sup> Ref 2011 Global Economic Crime Survey - PricewaterhouseCoopers LLP

## Insurance market overview

**Current status**

<b>Capacity</b>	<ul style="list-style-type: none"> <li>■ Claims activity is balanced by continuing flow of new capacity</li> <li>■ Slight capacity tightening by some carriers</li> </ul>
<b>Coverage</b>	<ul style="list-style-type: none"> <li>■ Mitigation – insurers are trying to restrict coverage (through sub-limits or restrictive language) but Aon has completed limits of £200m with full mitigation cover</li> </ul>
<b>Rates</b>	<ul style="list-style-type: none"> <li>■ There is still competition, particularly for smaller placements, but it is increasingly difficult to leverage markets for large-limit 'capacity' placements</li> </ul>
<b>Claims</b>	<ul style="list-style-type: none"> <li>■ Claims from early in the financial crisis are now being paid</li> <li>■ Increased frequency and severity of claims across all financial lines</li> </ul>

**Future issues**

<ul style="list-style-type: none"> <li>■ Temptation for markets to switch to more profitable lines makes future capacity less certain</li> <li>■ Broker / client / market relationship will become even more important in securing capacity</li> </ul>
<ul style="list-style-type: none"> <li>■ Maintaining breadth of wording will be the priority as continuing financial scandals impact the market</li> <li>■ Changing 'shape' of claims (i.e. regulatory driven settlements) will drive demand for more responsive policy language</li> </ul>
<ul style="list-style-type: none"> <li>■ Increasing feeling that unprofitable rates are unsustainable particularly for PI</li> <li>■ Risk differentiation supported by industry specific data will play an increasing role in achieving the best results</li> </ul>
<ul style="list-style-type: none"> <li>■ Potential for carriers to seek to avoid claims on technical points means specialist wording review is essential to policy efficacy</li> </ul>

## Who's who in our team...



Our first edition features one of the key members of our Insurance Company Practice: the renowned **Mr William O'Kelly**.

**Current role:** Senior Broker for insurance companies

**Years experience:** Over 20 years

**Which living person do you most admire and why?**

The mountaineer Reinhold Messner who, by his early 40s, had climbed the 14 highest mountains in the world, including Everest and K2, without oxygen. He completely ignored accepted thinking and did what everyone else thought was impossible.

**What single thing would improve the quality of your life?**

I lose about three and a half hours a day commuting to and from work, so a personal helicopter (and helipad) would prove very

useful. Even better, subject to availability, one of Harry Potter's Portkeys would be handy. Or a Star Trek transporter – "beam me up Scotty, straight to Lloyd's of London..."

**What is the most important lesson life has taught you?**

It's two variations on the same theme, really: (1) don't judge a book by its cover and (2) keep an open mind. I've learnt, by bitter experience, that a bit of reconnaissance and maybe, even, thought is better than relying on first impressions and attacking a problem head on.

**Who would you invite to your dream dinner party?**

As fun as it would be to have, say, Stephen Fry, Peter Cook and Oscar Wilde all around the dinner table, I think the noise and the clash of egos would be too much to bear. For this reason, and simply for the fact that I don't get to see them enough, I'd just ask the usual gang of old mates who I could relax and have a laugh with.