50 Predictions: Property

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Making predictions about the future of the insurance market is not for the faint-hearted. Our experts have boldly looked ahead at the challenges you may face over the next year and produced 50 focused predictions.

Take great care over Insurance Act implementation

Insurers applying the Insurance Act 2015 before it comes into effect in August 2016 must ensure that they consider all the implications in advance.

Proportionate remedies (as opposed to avoiding a policy from inception) could be seen as confirming policy cover unless claims handlers are clear about settlement terms being proposed on a voluntarily more generous basis.

Consideration also needs to be given to the position of any following market (and reinsurers) if non-standard terms are applied. Arguably any payments made over and above strict contractual obligations or entitlements could be seen as ex gratia.

Unqualified statements such as “We apply the terms of the new Act to all our customers immediately” will have very wide ramifications, for example on long-tail business, unless it is also clearly stated that the interim provisions only apply to policies incepting after a certain date.

Liability policies, both where there is early implementation and also after August 2016, also require consideration about the practical implementation of proportionate payments on third party claims and own adviser costs and how instructions and claims control may be affected.

The internet of things will reshape property insurance

The ability of objects to interact with each other through the internet – known as the ‘internet of things’ – has the potential to affect every stage of the insurance cycle, from risk assessment to the management of hazards and claims handling. Accurate data will allow more tailored cover and premiums. Automated offices and homes will be able to generate real-time data and alerts, avoiding or reducing the severity of claims and providing clarity for remedial works. Automatic notification and assessment will also cut processing times. Such technological developments, however, require insurers to be aware of increased risks, including those around data protection and cyber attacks causing property damage.

Industry to lead the fight against arson

Arson prevention will become a major theme for the insurance industry as opportunities emerge to collaborate and significantly reduce the impact of deliberate fires. Following the Arson Prevention Forum’s Call to Action report in 2014, arson is now attracting the attention of government and all emergency services. The insurance industry will need to take a lead role – in much the same way as it did with the fight against insurance fraud – fostering far greater collaboration with stakeholders and increasing its investment in loss prevention.

Sanctions could be a trap for the unwary

Political risk will remain high throughout 2015 and into 2016 with the extension of European and American sanctions setting new challenges for insurers and brokers. Tougher action against terrorist groups and against Russia for its annexation of Crimea and involvement in the war in Ukraine, is increasingly affecting a wider range of commercial contracts, including insurance. Russia in particular will add unique sovereign debt and currency risks to the global picture, so insurers with exposures to global contracts, or trade related cover will have to take an ever-more vigilant role when apportioning premiums, and when selecting and reviewing coverage. Sanctions may also affect investment in insurers as regulators focus on corporate controllers.

Difficult decisions needed over the Riot Compensation Bill

Much remains to be debated over the Riot Compensation Bill and it is unclear at this stage which way the decisions will fall. Whatever the shape of the final legislation, insurers will need to consider the extent of the cover they are prepared to grant and how the two will dovetail. The inability to recover consequential losses foreshadowed in the Bill is going to be a key concern for both insurers and insureds. Although the turnover cap has been removed as overly restrictive, the compensation cap still remains at £1 million.

Key developments in 2014/15

- Insurance Act 2015
- Riot Compensation Bill
- Third Parties (Rights Against Insurers) Act 2010
- *Versloot Dredging BV and another v HDI Gerling and others*
- Flood Re

Authors

Nick Young
London - Walbrook
nyoung@dacbeachcroft.com

DAC BEACHCROFT