

Current Global Insurance Market Conditions for Design and Construction Professional Liability

Due to the COVID-19 pandemic, the world and many of its economies have experienced unprecedented challenges. Where we were once enjoying predictions of growth in 2020, we are now facing a profound – but hopefully short – recession.

For contractors and designers, the effect of a recession comes on top of other recent professional liability challenges. The market has seen some insurers adjusting their appetite for risks, as well as twelve carriers withdrawing from the market altogether following the Lloyd's "Thematic Review" in July 2018. To further compound the issue, contractors and designers operating in the United Kingdom, Australasia and the Middle East are continuing to deal with concerns around cladding, and insurers' associated exposure. In South America, we see increased focus on mining activities (principally concerning tailing dams).

As far as contractors' and designers' professional indemnity/liability is concerned, it may be some time before things stabilize. The global market hardened significantly during 2019 and remains hard today. The London market (which writes risks on a global basis) has lost over \$150 million in professional liability capacity.

The reduced global capacity has enabled insurers worldwide to insist on blanket rate increases as follow:

- between 5-30% on primary layers; and
- as much as 50% for excess layers (which have been historically under-priced).

Insurers argue such increases are justified to remain viable and return their portfolios to profitability.



The onset of COVID-19 has only exacerbated the firming market, and while the pandemic may not in the first instance appear to have any direct impact on the professional liability market, insurers are nervous that a new global recession could affect construction risk in much the same fashion that the 2008 global financial crisis (GFC) did.

Please click [here](#) to access *Current Global Insurance Market Conditions – Design and Construction Professional Liability*.

If you'd like to discuss any of the issues raised in this article, please contact [Michael Earp](#).