

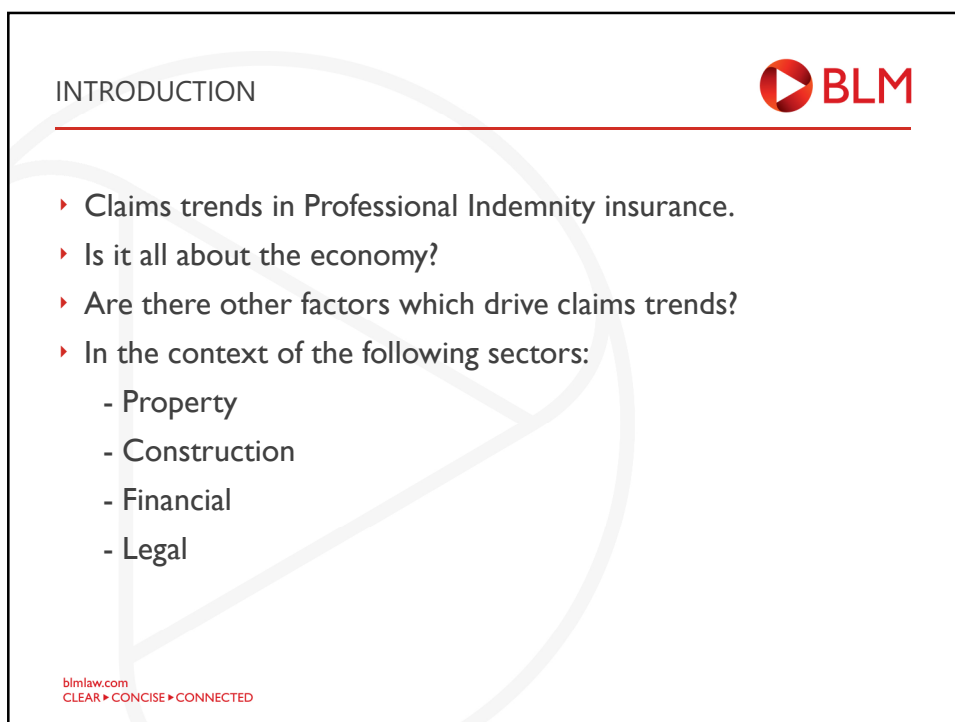



 BLM

MACROECONOMIC TRENDS AND
PROFESSIONAL INDEMNITY INSURANCE

Julian Smart
Partner
BLM

blmlaw.com
CLEAR • CONCISE • CONNECTED

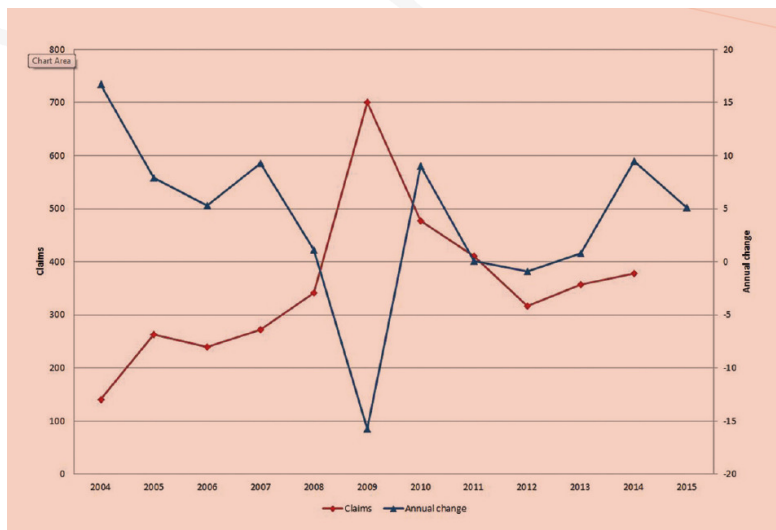


INTRODUCTION 

- ▶ Claims trends in Professional Indemnity insurance.
- ▶ Is it all about the economy?
- ▶ Are there other factors which drive claims trends?
- ▶ In the context of the following sectors:
 - Property
 - Construction
 - Financial
 - Legal

blmlaw.com
CLEAR • CONCISE • CONNECTED

ALL ABOUT THE ECONOMY?



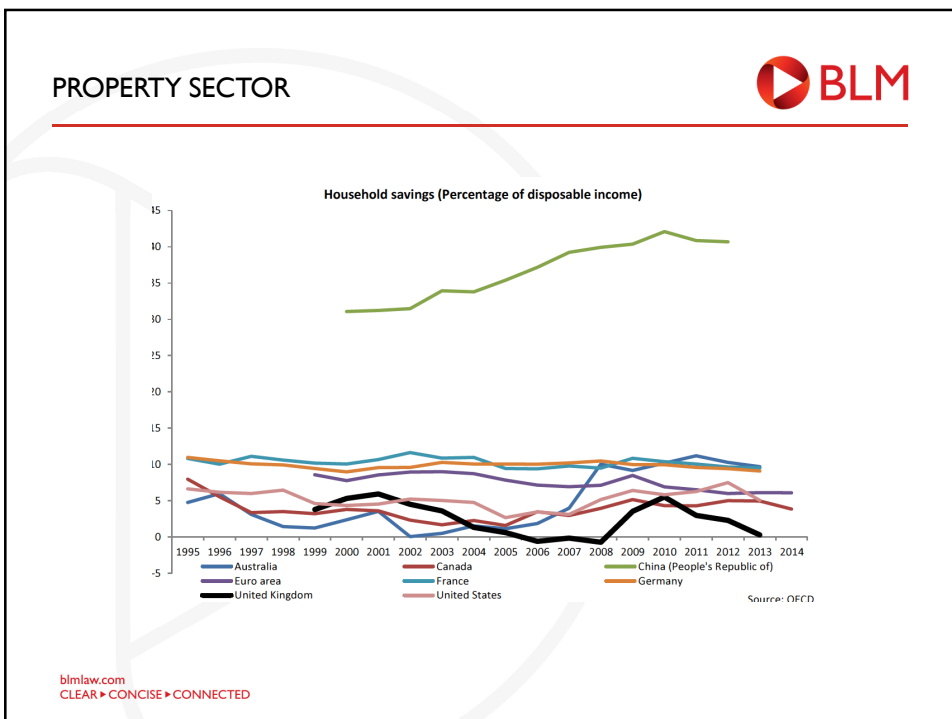
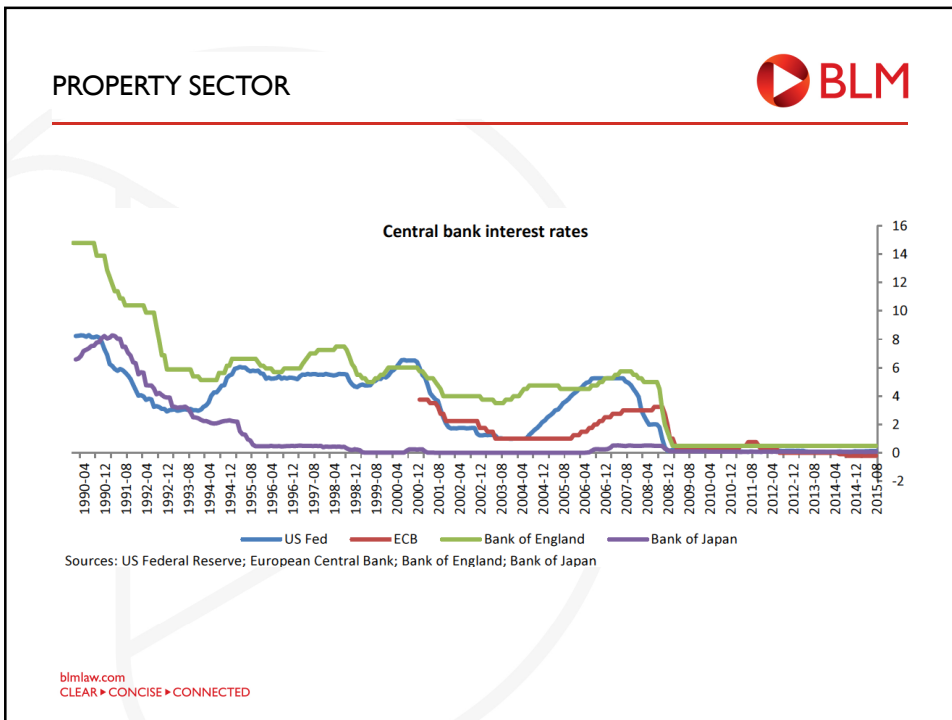
blmlaw.com
CLEAR • CONCISE • CONNECTED

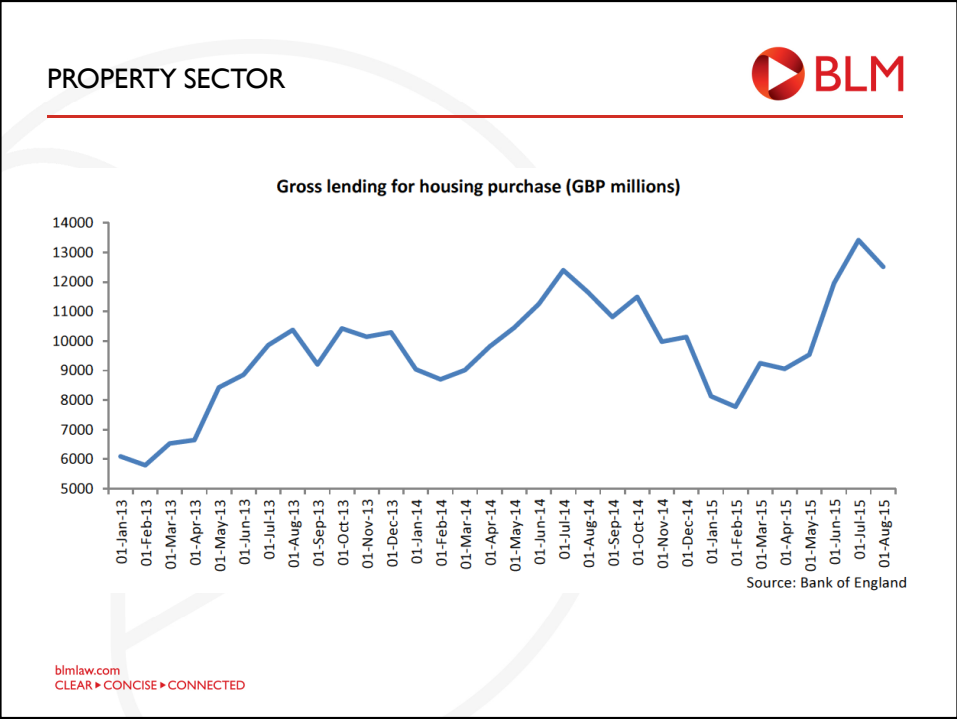
PROPERTY SECTOR




- Claims closely connected to the housing market.
- Another property crash?
 - Affordability concerns
 - Rise in interest rates
 - Brexit recession

blmlaw.com
CLEAR • CONCISE • CONNECTED

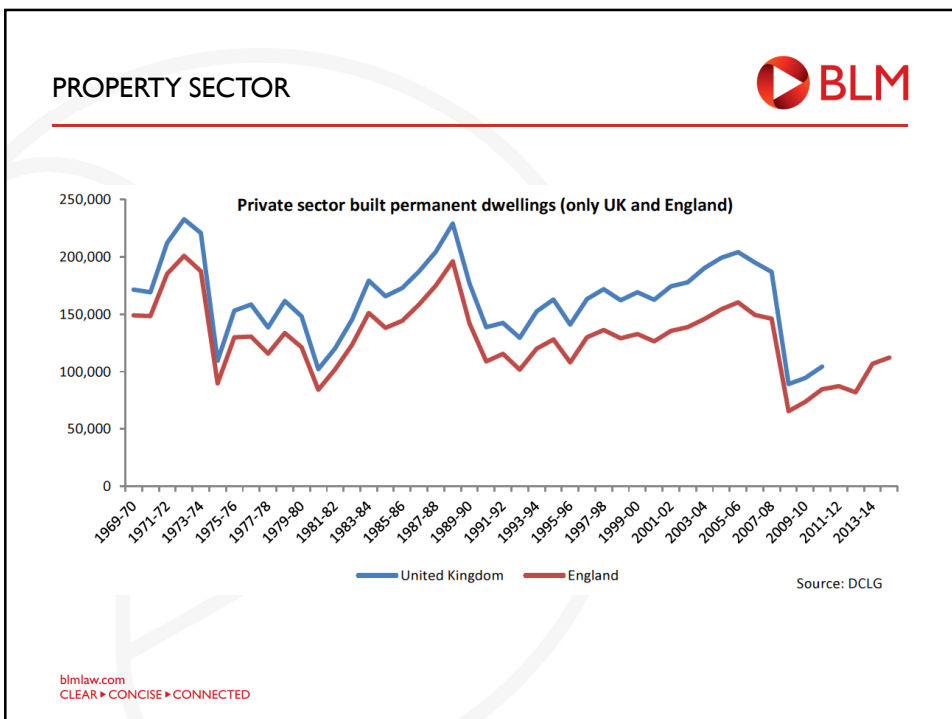
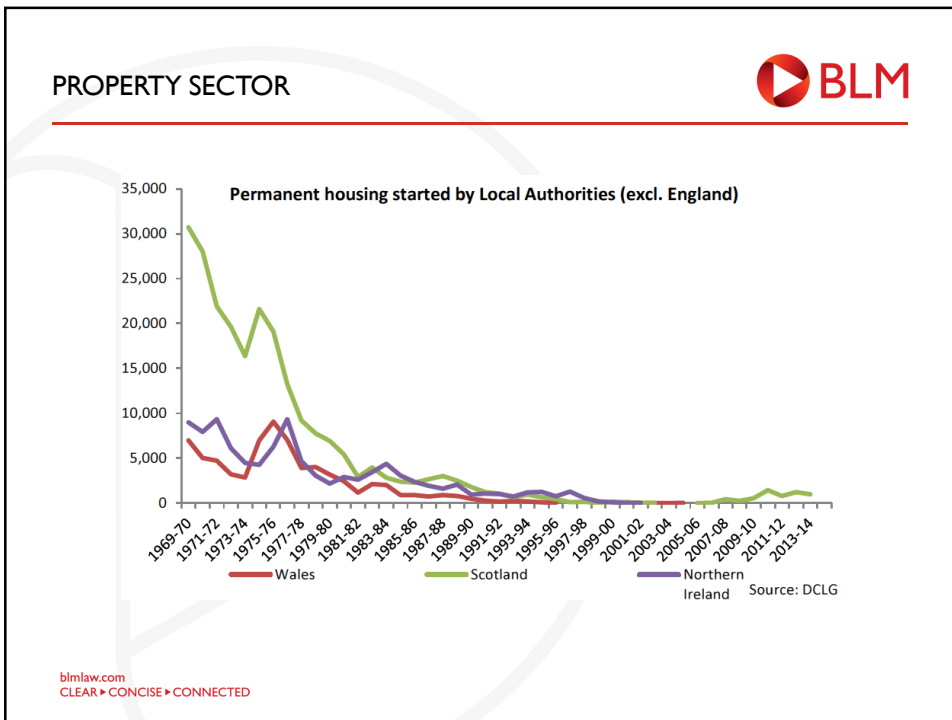




PROPERTY SECTOR 

- ▶ Another property crash?
- ▶ If supply meets demand.

blmlaw.com
CLEAR • CONCISE • CONNECTED



PROPERTY SECTOR



Other claims triggers

- ▶ Buy-to-let
- ▶ Right to buy
- ▶ Leasehold enfranchisement
- ▶ Compulsory purchase

CONSTRUCTION SECTOR



Economic Factors

- ▶ Output in the industry fell faster than the rest of the whole economy in 2008
- ▶ Reduction in fees
- ▶ Late payment
- ▶ Skills shortage
- ▶ Private Finance Initiative

CONSTRUCTION SECTOR



Non-Economic Factors

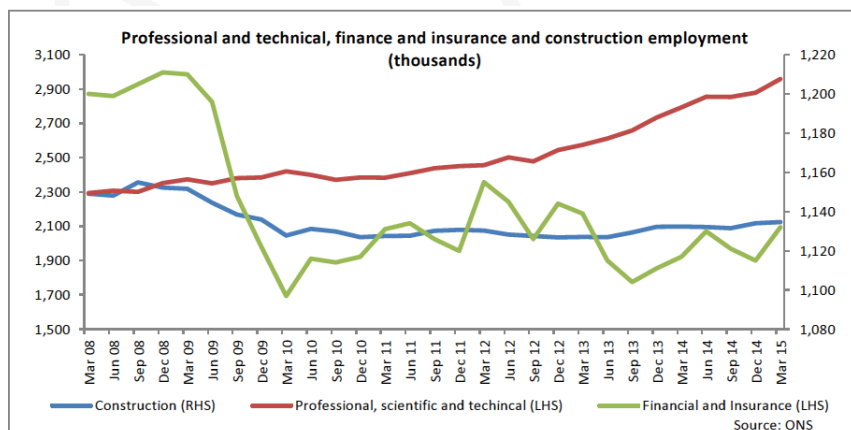
- Building Information Modelling Level 2 and 3
- Broader category of 'construction professional'
- Integrated Project Insurance

blmlaw.com
CLEAR • CONCISE • CONNECTED

FINANCIAL SECTOR



- Contraction within the sector



blmlaw.com
CLEAR • CONCISE • CONNECTED

FINANCIAL SECTOR



- ▶ Mis-selling, misbehaviour, mistrust
- ▶ RDR and the 'advice gap'
- ▶ Robo-advice
- ▶ Pension revolution
- ▶ Interest rates
- ▶ Accountants: Aggressive tax avoidance schemes
- ▶ Auditors: Failing to spot misappropriations/black holes

CLEAR • CONCISE • CONNECTED

17

LEGAL SECTOR



- ▶ An increase in demand for legal services
- ▶ A rapidly changing and consolidating marketplace
- ▶ Reform to legal sector
 - ▶ Under-settled personal injury claims
 - ▶ Under-settled matrimonial claims
 - ▶ Rise in dishonesty

blmlaw.com
CLEAR • CONCISE • CONNECTED

CONCLUSION



- The economy is a key driver for trends in PI claims.
- There are also non-economic factors.
- Often these are initiatives by the government or regulator.
- Even these are directly or indirectly linked to the economy.

blmlaw.com
CLEAR ▶ CONCISE ▶ CONNECTED

CLEAR ▶ CONCISE ▶ CONNECTED