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STATE OF THE GLOBAL INSURANCE MARKET

Insurers are grappling with high inflation, geopolitical conflict, and climate change. This report examines how current trends are impacting the global insurance market.

THE REINSURANCE MARKET

According to the April 2023 report from [Gallagher Re](#), the reinsurance market continues to be stressed as reinsurers attempt to achieve reasonable returns. Furthermore, without new capacity to alleviate the pressure, some companies are having to reexamine their underwriting strategies. In global marine coverage, capacity was good for core marine and energy lines but more limited for catastrophe-focused and war, terror, and political violence coverage.

UK MOTOR INSURANCE PREMIUMS SURGE

According to the [Insurance Business](#), motor insurance premiums have increased by 20% year over year.

Inflation is a major factor fueling higher premiums. The [Association of British Insurers](#) (ABI) says inflation has resulted in higher raw material costs for vehicle repairs – paint and material costs are up by nearly 16%. Energy costs and courtesy car costs are also up.

THE ECONOMIC OUTLOOK

Rising interest rates and inflation are hindering the prospect of a robust global economic recovery, according to a mid-2023 report from the [UN Department of Economic and Social Affairs](#). A prolonged period of low growth may lie ahead due to climate change, the lingering impact of the COVID-19 pandemic, and other factors. The world economy is expected to grow by 2.3% in 2023 and 2.5% in 2024. In the two decades before the pandemic, the average growth rate was 3.1% per year.

Global inflation
is expected to be
5.2% in 2023.

Source: UN

In the UK, [PwC](#) says that a recession is not expected, but the economy may grow by only 0.1% in 2023. High inflation is a major factor. PwC anticipates the cumulative rise in consumer prices between the start of the inflationary period and the end of 2024 to reach 20%.

NET-ZERO INSURANCE ALLIANCE EXODUS

The [UN](#) explains that the Net-Zero Insurance Alliance (NZIA) is a group of insurers and reinsurers that have made a commitment to transition their underwriting portfolios to net-zero carbon emissions by 2050. [Lloyd's](#) was a member, but it announced its decision to withdraw with immediate effect in May 2023. According to the announcement, Lloyd's continues to support the UN's Principles for Sustainable Insurance and Sustainable Development Goals and remains committed to its sustainability strategy, despite its exit from the group.



Lloyd's is not the only member to exit NZIA recently. According to [Reinsurance News](#), at least 10 major insurance and reinsurance players have withdrawn, possibly due to fears about anti-trust allegations. Other organizations to exit from NZIA recently include Swiss Re, Hannover Re, Zurich Insurance, Scor, and Munich Re.

POLITICAL CONFLICT AND CYBER WARFARE

Cyberattacks increased by 38% worldwide in 2022.

Source: [Check Point Research](#)

Cyberattacks have become a common feature of modern warfare and geopolitical conflict. For example, according to the [European Parliament](#), Russia has used cyberattacks against Ukraine ever since the annexation of Crimea in 2014. These attacks increased just before the invasion of Ukraine in 2022. The [National Cyber Security Centre](#) says an attack that presumably targeted the Ukrainian military also impacted many other internet users, including wind farms in central Europe.

War exclusions are common, according to [IRMI](#), meaning losses that are the result of a declared or undeclared war may not be covered. However, state-sponsored cyberattacks are often a gray area.

[Lloyd's of London](#) has recently sought to clarify this issue. The new state-backed cyberattack exclusion, which went into effect on 31 March 2023, requires coverage to exclude losses arising from a war (declared or not) when the policy does not have a separate war exclusion.

NATURAL DISASTER COSTS

According to the [Beth Israel Deaconess Medical Center](#), natural disaster recovery costs could spiral as global temperatures rise. From 1980 to 2020, the number of billion-dollar disasters in the U.S. increased from three a year to 22 a year, coinciding with a temperature increase of almost one degree Celsius.

The [World Economic Forum](#) says the number of deaths related to extreme weather is decreasing, thanks to early warning systems. However, economic costs are increasing. Over the past 50 years, the economic costs from weather-, climate-, and water-related disasters have reached \$4.3 trillion.

Natural disasters resulted in \$270 billion in economic losses in 2022. Approximately 55% of these losses were uninsured.

Source: [Munich Re](#)

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