Commercial Risk
Insurance & Risk Management News

Belgium market improving for buyers but far from easy

Debate over merits of LTAs

Ben Norris September 5, 2023

The Belgian commercial insurance market is not softening just yet but things are not as bad for buyers as they have been for the last few years, say leading risk managers.

They singled out cyber as a problem area that has forced some to retain the risk in their captive. Insurers were warned that if they keep cutting capacity and cover for cyber risk they will likely lose some of their customers.

There was debate among risk managers taking part in our Risk Frontiers Europe survey over the merits of long-term agreements (LTA's) in the current market. Some question why you would take an LTA with rates still high while others argue that the benefits of avoiding the annual renewal are worth it.

All of the risk and insurance managers agreed that the Belgian market isn't softening but is "less hard".

"It is not as difficult as it has been for the last three years," said Nathalie Vandenbroucke, risk insurance and compliance manager at Eiffage Benelux.

Gaëtan Lefèvre, president of Belrim and head of professional ethics risk and insurance management at John Cockerill, said things have definitely got easier during his latest renewal.

"The renewal from 2022 to 2023 has been different from the renewal in 2021 to 2022. The renewal in 21/22 was very difficult. And 22/23 is different and the market was not so hard. But insurers are asking for higher premiums due to inflation," he said.

"It is not hardening as much as it was," agreed Marie-France Theys, corporate risk and insurance manager at Schneider Electric. But she said financial lines, such as crime and D&O, remain difficult. "Cyber was very complicated," she added. This prompted her company to use its captive for cyber and higher risk retention.

"The objective for us now is to invest in prevention rather than paying a very high premium that comes with a limit that wouldn't be sufficient if a big cyber loss hit," said Theys.

Bart Smets, head of risk and insurance at Umicore, said he had seen cyber insurers change their approach and heavily reduce their line size. He warned carriers that if this continues, more and more companies may choose not to take out cover at all.

"It could get to the point where CEOs and CFOs might start wondering why they are paying so much for a coverage that is getting worse. There is the danger that companies don't take out cover and take the risk themselves," said Smets.

Theys said her broker has helped carry out the cyber risk analysis needed to make the switch from open market cover to risk retention via the captive. The role that the broker can play is particularly important in a complicated risk area such as cyber, she stressed.

"We need a real expertise on the brokers' side to help us risk managers to understand the discussions that take place between insurers and our own CISOs. It can be very hard to follow but we need this understanding to select the adequate coverage and/or choose the retention level. This might be done via the captive. So we are using a broker much more on a consultancy basis. They have helped us to do part of the risk analysis," said Theys.

Yves Brants, risk manager at NRB, said his company had problems securing cyber cover this year after being hit by a big network incident. He had real difficulties getting insurers to understand the risk management efforts his firm has implemented.

"The cyber programme was very difficult to renew. We got little or no response from the insurers. They extended the existing contract for three months as we continued discussions. We finally succeeded and now have an insurance contract of two years. But it was difficult to explain what we do on the risk side. The insurers really didn't understand what we do to prevent cyberattacks. It was difficult to explain to them that we are working every day to protect our business and our customers and that our defences are very good," said Brants.

Theys said she was happy to secure her first LTA in a while at summer renewals after insurers showed no interest in the past four or five years.

But Smets questioned why insureds should take out an LTA with current premium levels as high as they are, and amid hopes that the market may soften.

"Why should we enter LTA while premiums levels are so high? For me an LTA is only good if you get an extra bonus or reductions over a one-year deal. Which I don't think people are getting currently," he said.

"It's the same as energy suppliers that cancelled all the fixed rate long-term deals when it was in their interest and now they are all coming back because the prices are still relatively high and they know they can lock people in at the higher price. I am not convinced in an LTA at the moment," added Smets.

Theys said she isn't convinced that insurance prices will fall at the next renewals, and said that for the first time in years Schneider has obtained for an LTA for certain programmes. "Those LTAs will enable stability of our global budget and avoid difficult renewals," she said.

"Our property programme did require a panel of 12 co-insurers to be renewed. As you can imagine, it is extremely cumbersome to modify any clause when you have to obtain the agreement to the different parties. So for me, the LTA makes sense, not only from a budget perspective but also from an efficient management perspective," she said.