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**GLOBAL BROKER SURVEY FINDS INSURANCE BUYERS CONCERNED ABOUT COST AND AVAILABILITY OF SUITABLE COVERAGE AS NATURAL HAZARD AND SUPPLY CHAIN RISKS LOOM**

Scottsdale, Arizona – As risk managers and financial executives in various parts of the world renew their commercial property insurance programs, many have significant concerns about the availability and pricing of coverage as well as managing risk with fewer resources and reduced budgets. These issues are especially challenging for firms with large natural hazard and supply chain exposures.

A new survey of member firms of The Independents, an international (non-network) coalition of leading insurance brokers and risk management services firms committed to quality service, finds nearly all (96 percent) believe their insurance buyer clients are most concerned about availability and cost of coverage. Nearly half (48 percent) also indicated their clients have significant concerns about managing risks with fewer resources, such as reduced budgets.

“As they renew their insurance programs, risk managers and other insurance buyers around the world generally are finding a more challenging environment for transferring risks associated with facilities located in areas prone to natural catastrophes, such as earthquakes, windstorms, floods and tsunami,” said Marc Lapointe, SVP at USA Risk Group, a leading independent captive insurance manager and member of The Independents. “While the record level of natural catastrophe losses in 2011 hasn't resulted in dramatic pricing increases, it has generally led to a firmer stance from insurance underwriters, including upward pressure on premium pricing and some restrictions on capacity for facilities or key suppliers with exposure to natural hazards.”

The global findings are in contrast with current developments in North America (NA), where the opinion of the insurance market is generally poor. NA contrasts from the other regions in that there is heightened concern over availability of coverage. However, as all regions continue to deal with economic downturn, concern over finding internal funding to pay for coverage is widespread. An area of interest coming from Asia and Europe is, as their regulatory infrastructure matures and develops, there is concern over compliance with their respective regulations. The movement toward self-retained risk remains weak as premiums continue to remain soft and expectation for premium increases remains low. Asia is the only region that appears to show signs of raising deductibles. Not un-expectantly, all regions have concerns of Natural Hazards as annual losses continue to mount. The concern over Natural Hazards further gives rise to supply chain disruption concerns. The tsunami in Japan was a clear wakeup call on this exposure. The one contrast in significant risk concerns is that NA appears to be the only region showing concern over Cyber risks which is possibly due to its tendency to warehouse the

corporate headquarters of some of the major internet based organizations. Property insurance premium increase concerns are localized to NA.

Worldwide, the survey found that as clients renew programs, 28 percent are facing property insurance rate increases of 5 percent or more, and 24 percent (in particular, those with natural hazard exposures) are seeing increases of 6 – 10 percent and higher. At the same time, however, clients that have avoided losses or with limited natural hazard risks are still seeing some reductions in their property insurance costs, especially those based in Europe, Asia and South America.

“The insurance markets are continuing to favor companies with limited exposure to natural hazards, and these firms generally are still seeing a competitive environment with respect to their property insurance programs,” Mr. Lapointe said.

In an effort to manage risks more cost effectively (in some instances, with more limited budgetary resources), more than half (56 percent) of the brokers indicated their clients are making no changes in their programs, while nearly half (48 percent) said their clients were raising deductibles or retentions. With buyers more mindful of their changing exposure profiles, 40 percent of the brokers indicated clients were adding or increasing coverage to address emerging risks, such as cyber exposures, political risk and terrorism. At the same time, nearly a third (32 percent) indicated their clients are seeking higher limits on their insurance programs. Interestingly, 16 percent see clients reducing limits.

Not surprisingly, almost half (47 percent) of the brokers indicated their clients consider natural hazards to be their most significant risk entering 2012, followed by supply chain (42 percent), governance/directors and officers liability (37 percent), and stability of the insurance/reinsurance markets (32 percent). The brokers also listed crime/employee fraud (21 percent) and cyber (16 percent) as significant risks for clients entering this year.

For clients in North America, the most significant risks, in order, are: Supply Chain, Cyber, and Natural Hazards.

The survey findings included responses from 25 member firms of The Independents, whose headquarters are located in all parts of the world, including North America, South America, Europe, Asia/Pacific, and the Middle East/Africa. Collectively, the firms serve the insurance and risk management needs of several thousand large and mid-sized businesses worldwide.

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### **About The Independents**

The Independents is a coalition of leading privately owned insurance brokers located in all parts of the world. Together, with associated specialist risk services firms, they are united by a shared commitment to “client first service.” The Independents is not a network. Members have the common goal to communicate to the C-suite and the risk management community that there is a robust choice of high-quality professionals available for their risk management needs regardless of the size, scope and complexity of operations.