

# **Professional Indemnity Insurance in Europe**

**Report prospectus**

*May 2016*

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## What is the research?

*Professional Indemnity Insurance in Europe* is about the market for and distribution of policies covering professional liability as it exists in 12 countries in Europe: Austria, Belgium, France, Germany, Ireland, Italy, Netherlands, Poland, Spain, Sweden, Switzerland and the UK. For 2011, 2015 and with a forecast for 2019, the study breaks down the market for professional indemnity insurance not only by country but also, on a standardised basis, by professional category with 13 categories considered as follows:

- accountancy and finance;
- architecture;
- D&B (design and build);
- engineering;
- estate agency;
- financial and insurance intermediation;
- healthcare-related services;
- IT and business consulting;
- legal services;
- media and marketing;
- medicine and dentistry;
- surveying;
- other professional sectors.

In particular, the report quantifies the number, growth in number and segmentation of insurable enterprises in each country from 2011 to 2015 plus the value, growth and segmentation of the market for professional indemnity insurance over the same time frame and with a forecast to 2019. *continued overleaf*

## What is the research? (continued)

These segmentations are provided not only for each of the 13 aforementioned professional categories but also by annual fee income or turnover band in order to show the potential and actual market value in each country attributable to the largest and smallest professional enterprises.

In addition, three further segmentations of the market value in 2015 are also given: between business dealt with by domestic underwriters and that placed with non-domestic underwriters; between new business and renewals; and between primary layer and excess layer business.

Moreover, on the basis of a survey of leading brokers of professional indemnity cover in each of the 12 countries, the report identifies the underwriters of this type of insurance that are used most frequently and provides estimates for the market shares by premium income of leading underwriters in 2015 in each country for all forms of professional indemnity cover combined expressed as a percentage range (e.g. 5.0% to 7.5%).

Finally, the study identifies affinity schemes for professional indemnity insurance set up between professional / trade associations with a nationwide remit and brokers or underwriters of this type of cover (based on a survey of close to 1,700 such associations), highlights other distribution channels used to sell this form of insurance (e.g. brokers, direct sales, online aggregators, other affinity partners) and discusses other key issues associated with the market.

## What is the rationale?

A number of factors combine to form a firm rationale for a report and associated PartnerBASE™ dataset about professional indemnity insurance in Europe. Above all, this is the only focused research publication on the subject on a pan-European basis. This is curious given the fact that the market for this type of insurance is estimated by Finaccord to have been worth as much as EUR 8.18 billion in 2015 across the 12 European countries in question. In fact, it is a market about which published data is generally thin even within specific countries.

Moreover, it is a complex sector given that it is effectively composed of a series of sub-markets for policies acquired by different types of professional enterprise: Finaccord has developed a standardised market segmentation for 13 professional categories in order to address this complexity. In addition, in most countries it is a market that has been growing, albeit at a modest rate, in spite of economic circumstances that have often been taxing in recent years, and that Finaccord forecasts will maintain its growth rate in the years up to 2019.

Finally, the value of the accompanying PartnerBASE™ dataset derives from the apparent importance of affinity schemes, especially those set up in conjunction with professional and trade associations, in the distribution of professional indemnity insurance. In fact, in some cases, holding the professional indemnity insurance organised by a particular professional body is a pre-requisite to becoming a member of that body or of being able to practise that particular profession, or both.

## What methodology has been used?

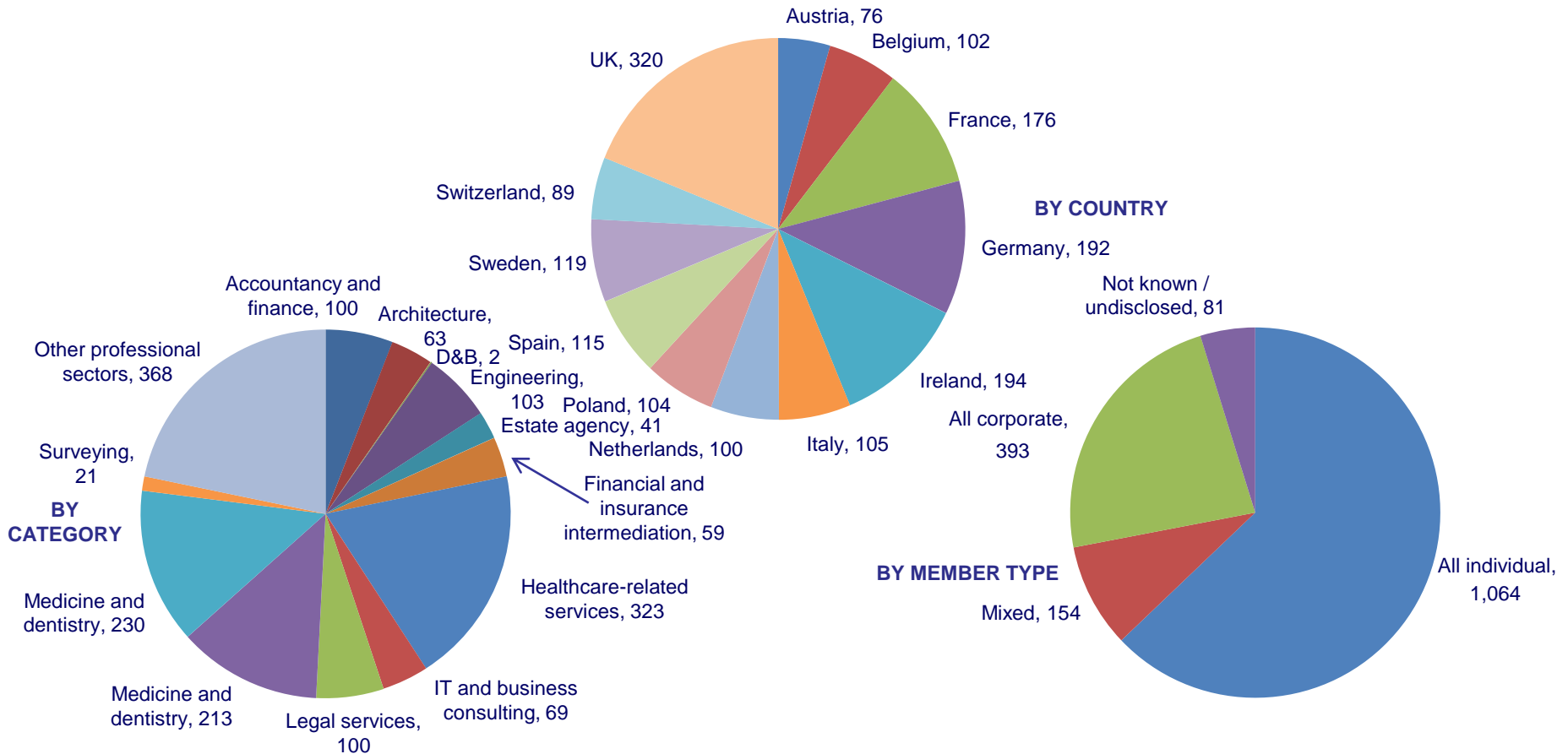
The research for this report was carried out during a six-month period spanning November 2015 to April 2016 and was composed of surveys of both brokers and professional associations plus detailed market data modelling.

In total, Finaccord contacted almost 1,700 professional associations for this research, broken down by country, professional category and membership type as shown in the pie charts overleaf. The objectives of this survey were to gather data about the number and type of members belonging to the association and the total number of individuals and / or enterprises eligible for membership, as well as to identify any affinity schemes established by them for professional indemnity insurance.

The market data for this publication has been built up by means of a data model that takes into account the following data points for 2011, 2015 and 2019 for each country and professional category: the total number of insurable enterprises and their distribution by turnover band; an estimated take-up rate for professional indemnity insurance across these enterprises; and an estimated average premium payable per policy for professional indemnity insurance among insured enterprises.

Both of the latter data points were determined in part by any reliable published data about the market that already existed in the public domain and in part by interviews with leading providers of professional indemnity insurance that Finaccord carried out as part of its research.

# How do professional and trade associations surveyed break down?



## What is the report structure?

*Executive Summary:* provides a concise evaluation of the report's principal findings.

*Introduction:* discusses rationale, research methodology, sample breakdown and definitions.

*European Overview:* an overview for all 12 countries of the metrics contained in each country chapter (see below) plus data and commentary concerning the market size and segmentation by country for each of the 13 professional categories covered. In addition, also provided are estimates for the market share of the top ten underwriters across the 12 countries combined.

*Specific country chapters (12):* for each of the 12 countries covered, analysis is provided for the number, growth in number and segmentation of insurable enterprises from 2011 to 2015, the approximate size and segmentation of the value of the market for professional indemnity insurance in 2011 and 2015, the frequency with which leading brokers report placing professional risks with particular underwriters, the likely market shares of the top ten underwriters of this type of cover, and affinity schemes for professional indemnity insurance set up between professional associations and brokers or underwriters. These chapters also include commentary concerning other distribution channels used to sell this form of insurance, other brokers and underwriters active in it, and forecasts for the likely size, growth in size and segmentation of the market for professional indemnity insurance from 2015 to 2019.



# What are the key features of the research?

Key features of this report include:

- quantification of the market size for professional indemnity insurance across 12 major countries in Europe: how much is each market worth, and where is the fastest growth occurring?
- segmentation of these markets between 13 categories and four size bands (as defined by annual fee / turnover band) of professional enterprise: what is the magnitude of the opportunity in segments such as medical malpractice and insurance for architects, engineers and surveyors?
- identification of all underwriters of professional indemnity insurance in each country: approximately what proportion of the market value is due to the top ten underwriters and how much is left to smaller competitors?
- availability of an accompanying PartnerBASE™ dataset that fully logs over 800 affinity schemes identified by Finaccord across close to 1,700 professional and trade associations;
- forecasts for the market for professional indemnity insurance in Europe segmented both by country by category and size band of professional enterprise : what is this sector likely to look like in 2019?

## How can the research be used?

You may be able to use this report plus the accompanying PartnerBASE™ dataset and market data file in one or more of the following ways:

- to compare the size, segmentation growth rates and future prospects of professional indemnity insurance markets across 12 major countries in Europe;
- to evaluate the potential for your organisation to target professional indemnity propositions at specific professions in each country;
- to understand more about the competitive environment for broking and underwriting by both country and professional category;
- to gain access to a single comprehensive source of information providing broker and / or underwriter details for over 800 affinity schemes set up by professional and trade associations for this form of insurance;
- to appreciate which countries and professional categories offer the best long-term potential, which are already saturated with competitors, and what product or distribution innovations are occurring.

## How can the PartnerBASE™ be used?

Select country

Identify insurance brokers

Organisation	Country	Category	PROFESSIONAL INDEMNITY INSURANCE		Broker(s)	Underwriter(s)
			Offered?	Operating model		
Society of Garden Designers	UK	Other professional sectors	Yes	External broker	MFL	
Society of Homeopaths	UK	Healthcare-related services	Yes	External underwriter via external broker	Lockton	RSA
Society of Local Authority Chief Executives	UK	Other professional sectors	Yes	External broker via external broker	Parliament Hill / Trafalgar Risk Management	
Society of Professional Accountants	UK	Accountancy and finance	Yes	External broker	Arlington Professional Risks	
Society of Radiographers	UK	Healthcare-related services	Yes	External underwriter		Lloyd's of London

Look up specific associations

Filter by professional category

Choose operating model

Identify insurance underwriters

Source: Finaccord PartnerBASE

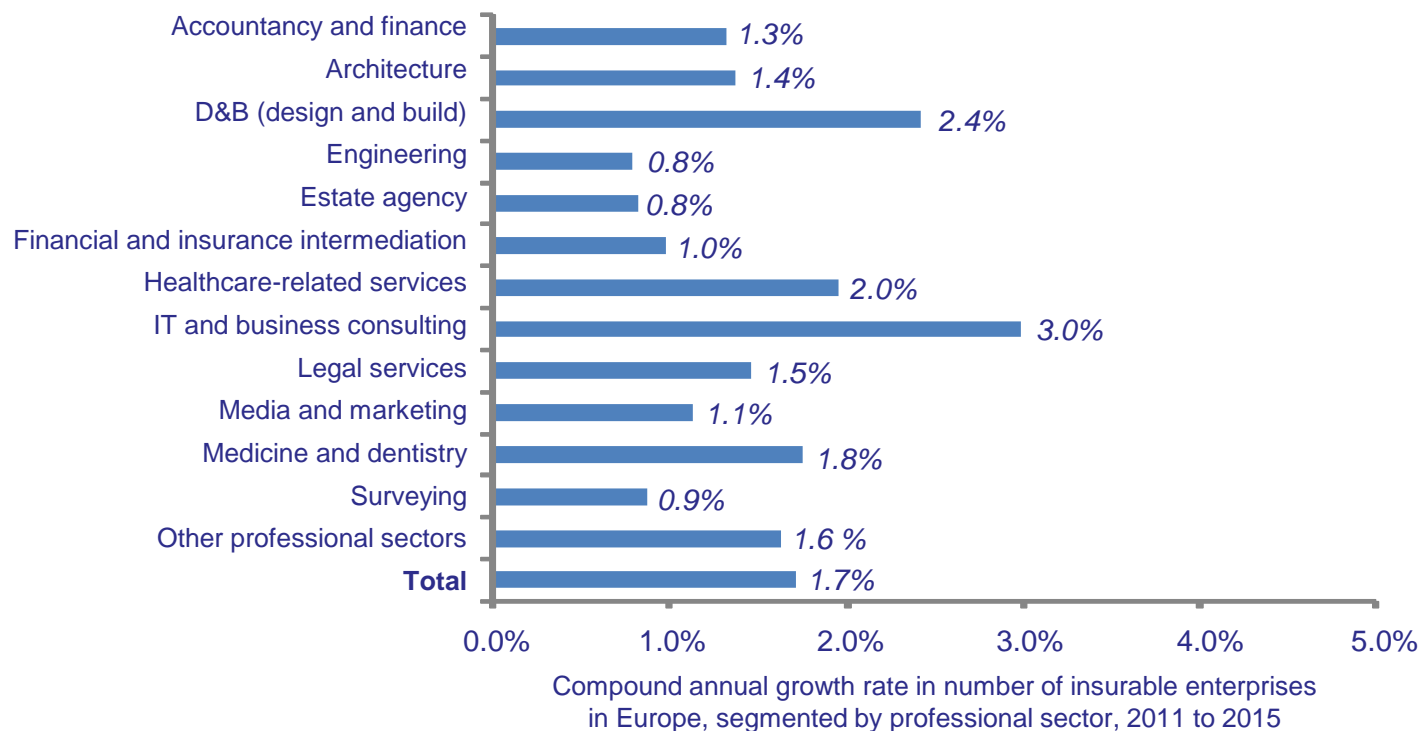
Note - The PartnerBASE also includes data for the number of members of each professional association, the percentage of those members that are individual members (as opposed to corporate members) and the category subset of those members (e.g. civil engineers within 'engineering', event organisers within 'media and marketing').

## Who can use the research?

1. *Insurers*: this report provides a unique analysis of a market worth EUR 8.18 billion across 12 countries in Europe and offers valuable insights into its dynamics and competitive structure broken out by professional category for both actual and aspiring underwriters of professional indemnity insurance;
2. *Brokers*: almost two thirds of the identified affinity programs established with professional and trade associations involve a broker and numerous different brokers are active in the market for these schemes: your organisation can understand more about the competitive environment in this arena by subscribing to this research;
3. *Banks*: almost all enterprises eligible for professional indemnity insurance will also be business banking customers yet banks are relatively minor distributors of this type of policy, in spite of the fact that it accounts for a significant portion of the overall commercial lines market;
4. *Management consultancies*: are you helping an insurance broker or underwriter with its future plans for professional indemnity insurance in any or all of these 12 countries? Save time researching the subject yourselves by accessing this publication.

## What are some of the key findings?

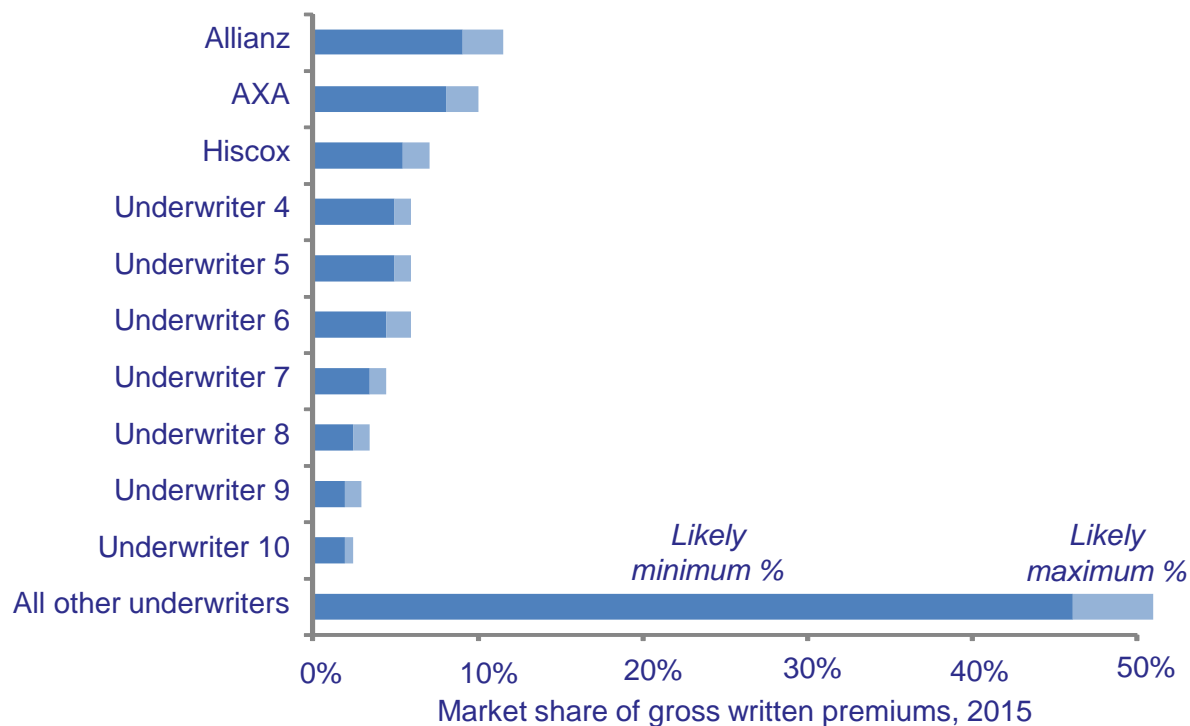
**1. Across Europe as a whole, the numbers of insurable enterprises in the IT and business consulting and D&B categories have been growing most rapidly**



**Source: Finaccord Global Professional Indemnity Insurance Model**

## What are some of the key findings?

**2. Across the 12 countries combined, Allianz is likely to have been the leading underwriter of professional indemnity insurance in 2015 with an estimated market share of between 9.0% and 11.5%**

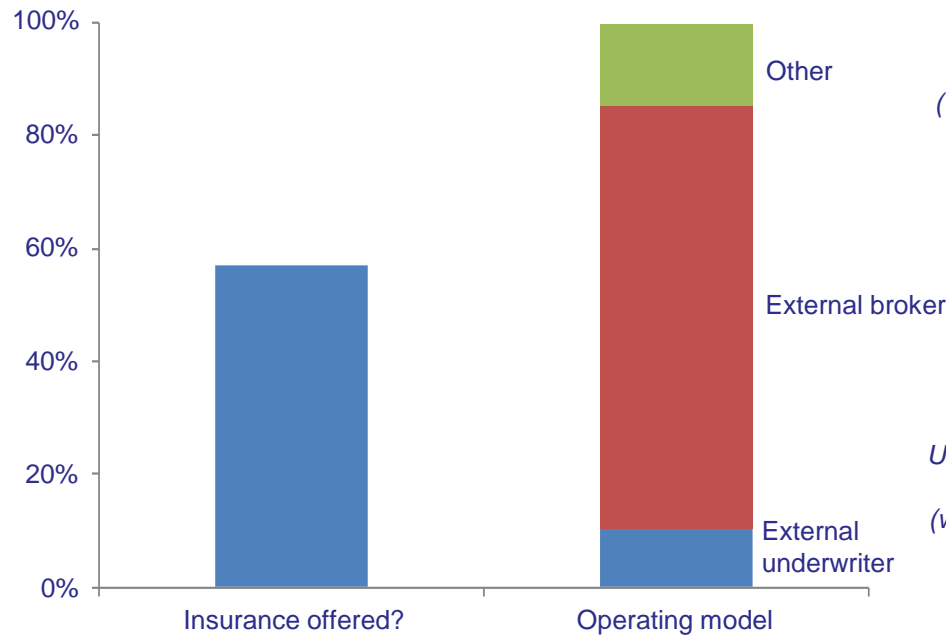


Source: Finaccord estimates

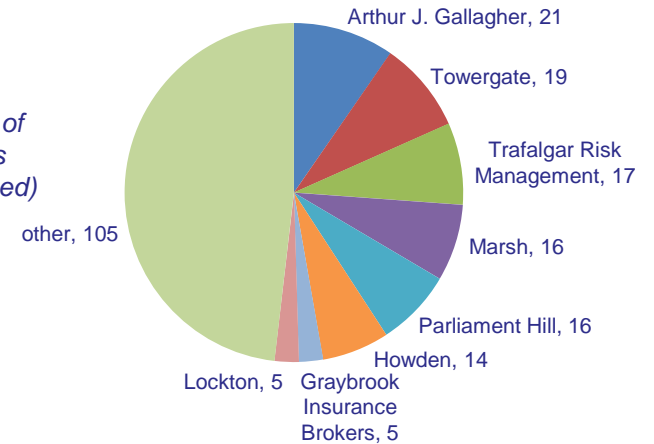
# What are some of the key findings? (cont.)

3. In the UK, Arthur J. Gallagher runs the most affinity schemes for professional indemnity cover among brokers while Hiscox is the most commonly used underwriter

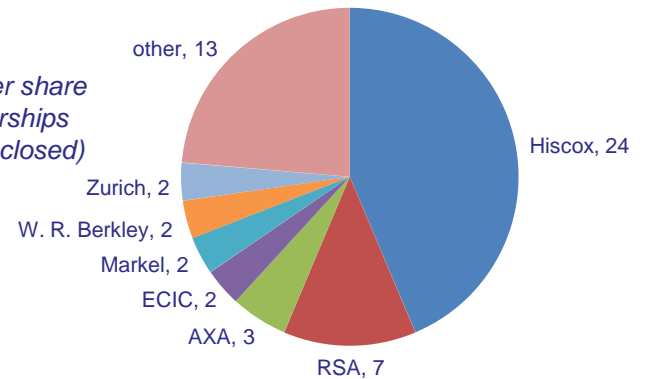
Provision rate and operating models



*Broker share of partnerships (where disclosed)*



*Underwriter share of partnerships (where disclosed)*

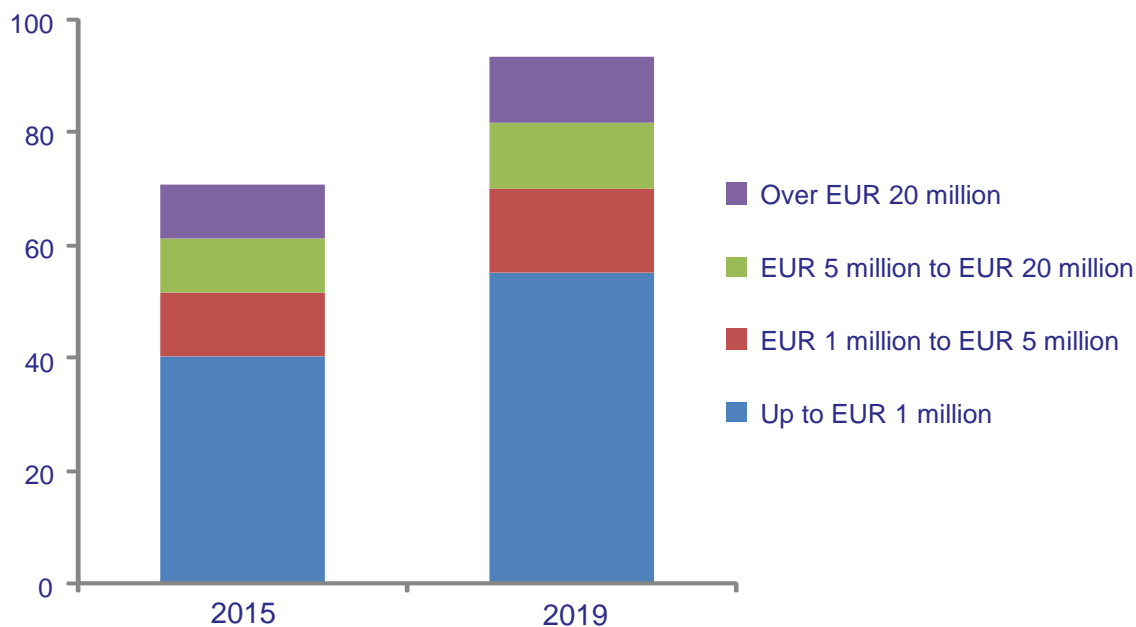


Source: Finaccord PartnerBASE™ for Global Professional Indemnity Insurance

## What are some of the key findings? (cont.)

4. As in many countries, a high proportion of the value of professional indemnity cover in Poland is attributable to small enterprises with annual fee income or turnover of less than EUR 1 million, and this will remain the case in 2019

Gross written premiums, EUR million



Source: Finaccord Global Professional Indemnity Insurance Model



## What are some of the key findings? (cont.)

### 5. Key findings from the executive summary include:

- in 2015, Finaccord's survey indicates that around 13% of the total European market value is likely to have been placed with non-domestic underwriters and that about 25% of it was due to new business (as opposed to renewals);
- looking ahead, Finaccord forecasts that gross written premiums for professional indemnity insurance will rise from EUR 8.18 billion in 2015 to around EUR 8.91 billion in 2019 across the 12 European countries;
- in real terms (discounting inflation), it predicts that this growth will be most rapid in Poland (5.8%), Switzerland (3.0%) and Italy (2.3%) but that the market value will actually decline in the UK at a compound annual rate of 0.6%;
- overall, professional indemnity insurance in Europe can be described as a complex and heterogeneous series of sub-markets with issues often specific to both particular countries (e.g. the introduction of the compulsory cover for several professions in Italy, the difficulties associated with organising cover for midwives in Germany and the abolition of an assigned risk pool for solicitors' firms in the UK) and professional categories (e.g. single project insurance in the architecture, D&B and engineering segments).

## What is the cost and format?

*Professional Indemnity Insurance in Europe* is available as a standard PDF document and the PartnerBASE™ dataset and market data file that accompanies it at no further charge are in *Excel* format. Prices for this study plus the 12 country-specific reports published by Finaccord on this subject and that represent subsets of it are as follows:

Professional Indemnity Insurance in Europe	USD 6,995
Professional Indemnity Insurance in Austria	USD 1,395
Professional Indemnity Insurance in Belgium	USD 1,395
Professional Indemnity Insurance in France	USD 1,395
Professional Indemnity Insurance in Germany	USD 1,395
Professional Indemnity Insurance in Ireland	USD 1,395
Professional Indemnity Insurance in Italy	USD 1,395
Professional Indemnity Insurance in the Netherlands	USD 1,395
Professional Indemnity Insurance in Poland	USD 1,395
Professional Indemnity Insurance in Spain	USD 1,395
Professional Indemnity Insurance in Sweden	USD 1,395
Professional Indemnity Insurance in Switzerland	USD 1,395
Professional Indemnity Insurance in the UK	USD 1,395

*\* For Singapore-based clients, GST at the prevailing rate will be added to the basic price.*

*Costs quoted are for a single site user licence only.*

*For a corporate user licence, please see the final slide for further details.*

*Invoices can be paid in EUR or GBP, at the prevailing exchange rate, if preferred.*

## How can the research be purchased?

Simple. Just go to the relevant area of the Finaccord website, create your account (if you do not have one already) and place your order online. Products paid for online by card will be delivered immediately by e-mail but please allow up to one working day for delivery by e-mail if you choose to pay on receipt of invoice.

With regards to the **corporate user licence**, you will be asked to choose one of the following options:

1. One office, one country: no supplement over and above basic cost of reports ordered
2. Multiple offices, one country: additional 20% over and above basic cost of reports ordered
3. Multiple offices, two to ten countries: additional 50% over and above basic cost of reports ordered
4. Global (unlimited offices in unlimited countries): additional 100% over and above basic cost of reports ordered

Alternatively, you can place an order by sending your request to [order@finaccord.com](mailto:order@finaccord.com), clearly stating the product(s) required, associated price(s) and billing details for eventual invoice or card payment receipt.