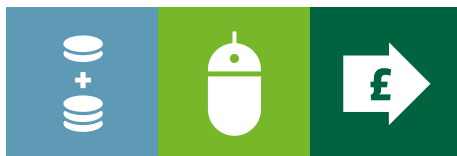


## COMMERCIAL BANKING



## PROFESSIONAL INDEMNITY INSURANCE

Is this the “Eye of the Storm”?

The Professional Indemnity Insurance (PII) market has seen some significant turbulence in recent years, as the UK worked its way through the response to the pandemic and the economy came under intense pressure.

These pressures, as is usual when the economy comes under stress, led to an increase in claims and subsequent litigation creating poor underwriting outcomes, an increase in premiums and the withdrawal of some insurers from the market leading to reduced levels of competition.

### The landscape for renewals in 2022

For renewals in 2022 there are some signs that the competitive landscape is improving. Key firms who provide PII are reporting improving returns<sup>1</sup> and these positive signs have encouraged other participants back into the market for 2022. This may have a beneficial impact on competition and on premium trajectory.

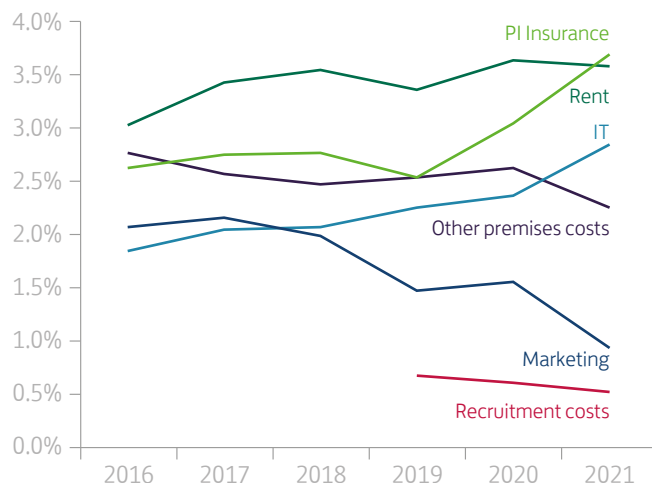
It is worth reflecting that these more favourable conditions may be short lived as some forecasts currently suggest the UK may enter a period of recession through 2023 which may see a return to more turbulence in the PII market.

This makes securing the right cover at the best price even more important this time around. This year's prime renewal period will see up to 55% of firms seeking renewal of their policies at the same time so accessing the most favourable deal will require a proactive and detailed approach to renewal submissions.

Despite recent improvements it may be best to proceed on the basis that insurers will remain very selective meaning renewal submissions take on still greater importance.

1 Lloyd's of London reports return to profit and a resilient capital position in 2021 results

### Median spend on non-salary overheads (% of fee income)



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A crucial component of a great submission could be a well-constructed executive summary. Delivering an effective narrative that covers the background and experience of the business and a view of the future, including learnings taken from recent claims history, could also help deliver the robust conclusions underwriters will need to offer competitive premiums.



Given the volume of traffic heading into the market it will also be important to apply early and, especially when approaching a new insurer, to endeavour to meet face-to-face and avoid the all too easy delete response to an email submission.

Notwithstanding some potential improvements in the market any firms PII premium will represent a significant cost and have a material impact on cashflow. As we enter a further period of economic uncertainty taking steps to preserve working capital to allow for any other unexpected challenges may be a prudent step.

## A funding option for your premiums

As premiums have risen and become a more material component of salary overheads they may begin to impact on your working capital. A way to reduce this can be to spread the cost of the premium over a twelve-month period.

Lloyds Bank Asset Finance can help spread the cost of PI Insurance premiums over a 12-month period. Through the use of an Asset Finance facility, we are able to help provide a more flexible, cash flow friendly means of financing renewals.

The facility can cover the premium as well as practice certificate costs and broker commissions.

The market is perhaps in the eye of the storm as we exit one period of uncertainty and draw breath before heading into another. This makes 2022 an important year to secure the most favourable outcome in regard to cover and premium levels.

Lloyds Bank is ready to support through our specialist relationship teams, who are happy to discuss how we can help reduce the impact of premiums on working capital.

If you would like to discuss financing your premiums this year or to discuss your renewal in more detail with our broker partner, Gallagher, please contact your Relationship Manager.

### Our service promise

If you experience a problem, we will always try to resolve it as quickly as possible. Please bring it to the attention of any member of staff. Our complaints procedures for businesses with an annual turnover of up to £25m are published at [lloydsbank.com/business/contactus](https://lloydsbank.com/business/contactus).

 Go to [lloydsbank.com/business/asset-finance/](https://lloydsbank.com/business/asset-finance/)

 or call **0345 602 4796 (option 1)**

Please contact us if you would like this information in an alternative format such as Braille, large print or audio.

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