

Insurance claims frequency and severity set to increase in 2023, according to leading law firm Browne Jacobson

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Thursday 26 January 2023, LONDON: Leading national law firm, [Browne Jacobson](#), has released a [new report](#) with predictions of the key trends in the insurance claims market for 2023. It finds that claims, across all business lines, are set to increase in frequency and severity over the next 12 months. This is driven by the coalescing forces of many “macro” factors, namely recessionary pressures such as double-digit inflation and high interest rates - as well as growing geopolitical instability.

The report identifies the key developments across major business lines in 2022 with predictions for the year ahead. Key findings include:

- **Financial Lines:** An increase in the ‘unbundling’ of professional services driven by clients’ desire to limit retainers as a cost control pressure is anticipated. Such claims will be influenced by the 2022 *Spire Property Development v Withers* case, where the extent to which the professional has assumed a wide duty to the client will be a key battleground.
- **D&O Liability:** Increasing litigation, alongside a proliferation of new regulations – particularly ESG and climate-related – will continue to cause issues for Directors and their liability insurers. A global recession typically leads to an increase in D&O claims. It is predicted that corporate insolvencies are expected to increase by 19% next year, this is likely to lead to an increase in litigation against companies and their directors by shareholders, insolvency practitioners and employees.
- **Property:** A continuation of Covid-19 fueled BI litigation, in the wake of the *FCA v Arch* test base, will be a prominent feature throughout the year. Claims inflation will also be a significant influencing factor, driven by supply chain delays, labour shortages, and rising costs.
- **Casualty:** The US has witnessed a growth in so-called ‘nuclear’ verdicts, which are likely only to escalate in 2023. This is largely fueled by social inflation – which increases the risk of multi-millions dollar verdicts and pushes defence costs higher.
- **Aviation:** Russia’s invasion of Ukraine and mass seizure of aircraft has led to numerous disputes between aviation leasing companies and their All Risks and/or War Risks insurers/reinsurers, with claims running into the US\$ billions.
- **Fraud & Cybercrime:** The value of claims suspected to be dishonest and grossly exaggerated is on the rise. Increased focus will be on using intelligence tools and conventional surveillance to prove the dishonesty in these cases. The inexorable rise in criminal activity (by state and non-state actors) and regulation (e.g. concerning data protection) creates ever increasing risks to consumers

Jonathan Newbold, Head of Financial Services and Insurance, said:

“Last year it felt like the market might stabilise, with Covid-19 seemingly in the rear-view mirror. What we have found, however, is that a number of other pressures have coalesced to create an even more volatile environment. More so, this impact is not limited to one or two lines of business, but seems to be have cascaded throughout the whole claims market – though often in different and multifaceted ways.

Our findings show that flexibility will be key if insurers and self-insured corporates are to navigate the ever-changing claims landscape. Standing still is simply not an option.”



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