

# Key challenges for business owners in 2024

**A** CROSS the board, we are seeing a rising tide of insurance premiums in an ever-hardening market. Last year, insurance premiums rose 25% and are predicted to rise an additional 10% in 2024.

The insurance industry is also experiencing a wave in claims inflation across many sectors, with the motor industry being no exception.

Motor claims are continuing to inflate to a quite staggering degree, with an average claim now costing £5,349. The pandemic, the war in Ukraine, an increase in car part theft and the fact the number of employees in the motor trade is declining are all influencing motor claims inflation and impacting both the insurance industry and, consequently, the client.

There has been a significant swell in the number of claims made against directors and officers. They, as well as others

in key management roles within public and private companies, are increasingly becoming targets for civil litigation, government investigations and enforcement actions. 85% of insurers believe D&O is a rapidly increasing risk, globally.

Directors and officers are being cited as defendants and, with regulatory bodies increasingly willing to take action against individuals in positions of authority, their reputations and personal assets are becoming increasingly at risk. Heightened interest rates married with inflation mean we are likely to see more and more claims against insolvent directors in the future.

Directors' and Officers' Insurance (D&O insurance) can provide protection. D&O insurance protects individual directors and officers from civil claims and regulatory investigations, as well as indemnity for damages payable to third parties.

In 2024, a storm of cyber security breaches continues to gather, with a record number of ransomware incidents and business email compromises continually being reported. Indeed, statistics suggest there are a whopping 2,200 cyber attacks every day.

The hacking of account details remains a common entry point and, whilst no defences are entirely watertight,

some relatively basic security measures can be implemented to greatly lessen the risk of this type of infiltration.

One such measure is to enforce multi-factor authentication for employee accounts and login processes, to help protect against the consequences of credential stuffing, phishing and brute force attacks.

Before offering appropriate cover, cyber insurance underwriters have been focusing on what security defences an insured has in place. Some insurers are indeed insisting on specific security protocols as a pre-condition of providing cyber insurance at all. An increase in the baseline tide of security across a wide range of organisations is therefore expected this year.

Changes are on the horizon in 2024 when it comes to liability claims, and discount rate changes are due for a formal review in England and Wales by July. The Discount Rate is a figure used to help calculate lump sum compensation payments for high value personal injury claims (liability/motor injury). It reflects the likelihood of someone getting a lump sum payment from an insurer, investing it and expect to get a return. The Discount Rate was last reviewed in 2017 and had a major impact on how the courts - and, subsequently, insurance companies - calculate large injury claim settlements.

It is not yet known what the rate will be. Recently, The Isle of Man raised its discount rate from -0.25% to +1.00% per annum and personal injury lawyers in England and Wales - and



*Economic waters continue to be choppy in 2024, with businesses large and small finding they struggle to keep afloat in the year's tumultuous swells and currents, but what specific challenges are on the horizon, and how can businesses anticipate and prepare for them? Matthew Collins, Director at Chelmsford-based Ascend Broking Group, offers some answers.*

insurers, of course - wait to see whether the Lord Chancellor will follow in its wake.

Nine out of ten properties, including business premises, are currently underinsured, with underinsured buildings covered for just 63% of the amount they should be. The problem arises when the insured value of a property is lower than its actual replacement cost or market value, and the owner unaware.

In the event of a covered peril such as fire, flood or natural disaster, the insurance payout may not be sufficient to cover the cost of rebuilding or repairing the property to its pre-loss condition. This shortfall can force businesses way off course - meaning they have to dip into their reserves, take on loans or even declare bankruptcy, causing long-term damage to the smooth sailing of their operations.

If it's going to be a tough year, you need a life raft - and someone by your side. Ascend's expert team can guide you through all of 2024's challenges and make sure all of your business's risks are thoroughly reviewed and covered. We can help steer you to calmer waters, less uncertainty and a brighter 2024.





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