THE GRIFFIN INSURANCE ASSOCIATION

Mutual insurance as an alternative provider of PI cover to the commercial market

Most intermediaries, including MGAs, are facing rate increases when renewing their professional indemnity (E&O) cover as the market hardens in response to a number of challenging factors. It is fair to say that the market was already hardening pre Covid-19 with insurers voicing concerns about brokers' and agents' collective ability to navigate the Insurance Act, GDPR and the Insurance Distribution Directive, and the Lloyd's decile-10 exercise focussing heavily on liability insurance across sectors. Add to that the possibility for Covid-19 claim declinatures to increase scrutiny of underwriting discipline, in the context of falling investment returns, and PI cover becomes an unattractive line of business.

The market has been here before. In fact Griffin, a professional indemnity insurance mutual for intermediaries, started writing business in very similar circumstances in 1988. A hard market meant that some intermediaries were paying up to 11% of their turnover for their E&O cover, irrespective in some cases of individual loss record, with no control over the scope of cover and very limited market choice. In addition, intermediaries found themselves in a position of conflict in that they were buying their cover from capacity providers that they traded with, and there were serious gaps in confidentiality relating to commercially sensitive information.

A group of Lloyd's brokers approached Tindall Riley & Co, known then only for managing the Britannia Steamship mutual, to provide the underwriting and claims services. The original Members (insureds) of Griffin wanted an insurance vehicle that looked for reasons to pay claims, rather than looking for reasons not to pay claims in order to maximise profits for shareholders. In this context they agreed from the outset that all Members would be subject to risk management reviews, training and guidance – many years before the identification, assessment and management of risk was adopted by competitors.

Back in the 1980s MGAs did not exist. Instead most brokers had binding authorities, often managed in-house with the potential for conflict and ill-discipline. Griffin's Members addressed this conflict and welcomed the establishment of separate MGA operations.

Today Griffin has 47 Members with a combined commission income of over £700m, a third of which is earned by MGAs or in-house coverholder operations. Griffin is not for everyone – it does not insure the mega-brokers as they tend to have their own captives or high excess arrangements which are non-mutual. Griffin also does not tend to insure firms with turnover less than £2m, unless they are a start-up, as the Call (premium) paid needs to cover the services provided by the mutual – risk management, liability advice and Risk Bulletins, Technical Forums and training.

A mutual provides insurance at cost over the long-term. Rather than focussing on short-term profits, the Members support a conservative approach to underwriting and reserving and, if a policy year closes in surplus, that surplus can be returned to its Members. Griffin has been able to build substantial capital in its 32 year history and to make substantial Returns to its Members. This is due to its benign claims record, aided by an in-house team of experienced lawyers who only handle intermediaries' PI claims coupled with the commitment of its Members to good risk management from the outset.

In a hardening market Griffin's conservative pricing becomes a competitive option for MGAs. The confidentiality, control over the price and the scope of the cover, the avoidance of conflict, the expert management of claims and the desire to pay all valid claims become defining and attractive factors.

If you are interested in finding out more please contact Matthew Grover (mgrover@tindallriley.com).