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75% OF CUSTOMERS* HAVEN'T UPDATED THEIR PROPERTY SUM INSURED.

*Insight based on FY20 CGU Business Package Property Cover portfolio data.

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Underwriting agency proposes professional indemnity mutual

9 March 2021

An underwriting agency is testing market interest in a proposed professional indemnity (PI) mutual as soaring premiums and the withdrawal of traditional capacity cause cover availability issues.

Asia Mideast Insurance and Reinsurance (AMIR) CEO Adel Dawood says it's expected the proposal will generate significant interest from brokers who have professional indemnity business they cannot place and from underwriting agencies writing PI risks, where many have had binders restricted or withdrawn.

Mr Dawood says mutuals have a long history in Australia and internationally in providing cover for hard-to-insure risks, and are well suited for the current situation, where issues in the directors' and officers' area are contributing to a market over-reaction in professional indemnity.

"The other fact is, if there are losses in professional indemnity, it is not for all professions, you can't just treat everybody with the same brush," he tells insuranceNEWS.com.au.

One of the largest mutuals globally is Oil Insurance Ltd, established in the 1970s due to problems faced at that time by energy sector companies in obtaining cover.

"A mutual is an alternative if the general insurance market is not providing the required cover at affordable rate, and we expect the market in Australia and worldwide will continue to harden for quite some time," Mr Dawood says.

"We will see mutuals and pools and other alternative arrangements being started in Australia and outside Australia."

Sydney-based AMIR, established in 1997 and a Lloyd's coverholder specialising in the oil and gas sector, has held preliminary discussions with reinsurers regarding a professional indemnity pool and is seeking feedback from brokers, underwriting agencies and potential investors.

Under the professional indemnity proposal, insureds would become members of the mutual, while a management company provides the underwriting and claims handling services.

AMIR has approval under its Australian Financial Services Licence to offer discretionary risk products, which are regulated by the Australian Securities and Investments Commission.

The firm is the AFSL licence holder for Aussie Farmers Mutual, which provides farm income protection cover to its members, and Our Ark Mutual, aimed at churches, schools, aged care and not-for-profits.

More information is available here (<https://www.amir.com.au/discretionary-mutuals>).

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