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THERE WAS ANOTHER excellent response to the latest *PB* Sentiment Survey with some valuable feedback from brokers on the challenges facing the market.

The high level of response about premium rates demonstrates again that this remains the burning issue as brokers continue to wrestle with the trials of an economy dragging itself from recession.

In personal lines, sanity appears to be returning with almost two-thirds of respondents agreeing that rates will continue to harden over the next six months and over 70% saying that renewal premiums have risen in the first months of this year (see graph two). These results are up significantly over the previous survey in October and, in personal lines at least, there may be some light at the end of the tunnel.

The situation in commercial lines remains decidedly bleak. Over 50% of brokers who responded think that rates will stay the same over the next six months (up from 44% in the October 2009 survey), while those expecting rates to harden have fallen from almost 50% to just over a third (see graph one).

More worryingly, the disparity between new business and renewal pricing continues and roughly 35% of respondents are still seeing new business premiums falling while rises for renewals seem to have stalled. This demonstrates just how cutthroat the commercial market is; it is also apparent that a lot of the jingoistic 'rates up' noise in the recent results season remains just talk. You have to wonder if some of those at the top really know what is going on in the field.

Unsurprisingly, brokers are pretty brutal in their assessment and remain highly critical of the dual-pricing mentality, which they see as unfair, disloyal to existing customers and just plain wrong if insurers have any real ambitions to move rates up. Things must change and my colleagues in the market need to match their words with some action.

The survey looked at progress with electronic trading in commercial lines: from the feedback, it is obvious that this is now a part of everyday life, with nearly 30% placing more than a quarter of their business through insurer extranets (see graph eight) and 20% placing the same volume using other electronic means. Over 75% seemed to favour using online methods for premiums up to £5,000 although more than 10% felt it possible to manage much bigger cases too (see graph nine). Brokers feel that it is the complexity of a risk rather than the size of the premium that affects the potential for placing online and they still value the human touch in these instances. As an insurer that has made a success of trading fleet business electronically, I am certain that the market can still improve in this area.

The survey asked brokers about the importance of talent, learning and development to their businesses. Most felt that they were investing enough, though given the importance placed on professionalism by customers, there is room for improvement. Some of this lack of investment stems from the difficult economic environment: 70% of respondents are cutting expenses or considering it.

Just over 35% of respondents felt that professional qualifications are the most valuable form of learning and development, although only 27% think that existing qualifications are 'very relevant', with over half regarding them as 'quite relevant'.

Though it is early days, it seems that the Chartered Insurance Institute has work to do in embedding *The Aldermanbury Declaration*. This was the area of the survey with the poorest response rates and it is a little concerning that over 60% of those who answered had yet to read the declaration.

Among those that did, over two-thirds thought that it would have a positive or very positive impact (see graph 10), yet close to 70% don't know if they will support it within their businesses.

Finally and regrettably, the responses around the impact of the recession on brokers' businesses still make grim reading and, while things don't appear to have become too much worse over the past six months, they are not improving either. **PB**

Laurent Matras, managing director, Groupama Insurances

Concerns over dual pricing, evidence of market hardening in personal but not commercial lines and sparse signs of nascent recovery are just some of the results of the first *PB* Sentiment Survey in 2010, writes **Emmanuel Kenning**

THE LATEST *PB* Sentiment Survey has revealed a split in the insurance underwriting markets for personal and commercial lines. As graph two shows, 70% of brokers are seeing a rise in personal lines premiums; the commercial sector is in marked contrast, with more brokers (43%) seeing no change rather than a hardening market (32%). This is expected to continue for the next six months (see graph one). Nearly two-thirds of brokers (63%) believe personal lines will harden, whereas only 34% believe commercial lines will do so.

In personal lines, Fortis was the winner of brokers' votes for best claims and underwriting service respectively. Mark Cliff, managing director at Fortis, was proud of the low-cost, high-service approach that achieved the results in both categories. He explained: "It reinforces the feedback from our broker forums around the country: we know that service matters. We are seen as one of the most efficient and we believe in doing things quickly and getting it right first time. These survey results reinforce that if customers have an issue then we deal with it as quickly as possible."

Specialist insurer Chubb also performed well in both categories for personal lines, despite having a smaller niche offering compared to composite insurers. Simon Mobey, personal lines manager for Europe at Chubb, said: "Brokers are the lifeblood of

Comments on commercial lines dual pricing

"[It is] typical of underwriters who are under pressure to achieve growth of new business, probably to replace business lost due to the recession."

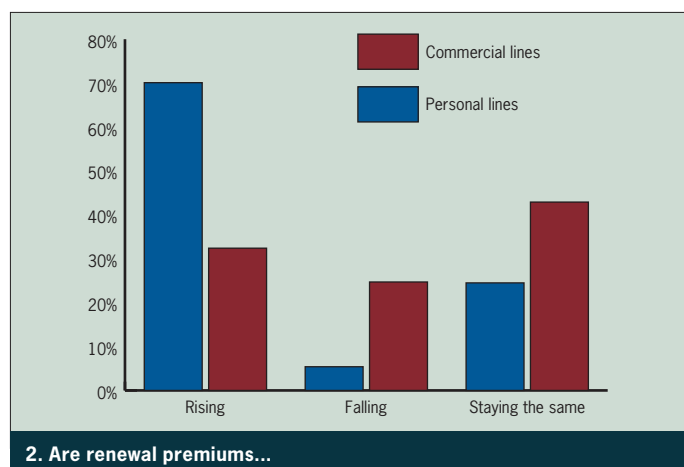
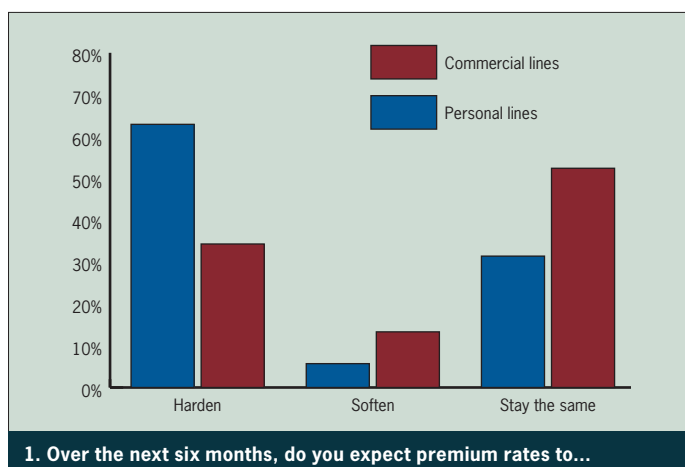
"Insurers will have difficulty in driving forward the rate increases they so crave when they are prepared to go below technical underwriting price to win business."

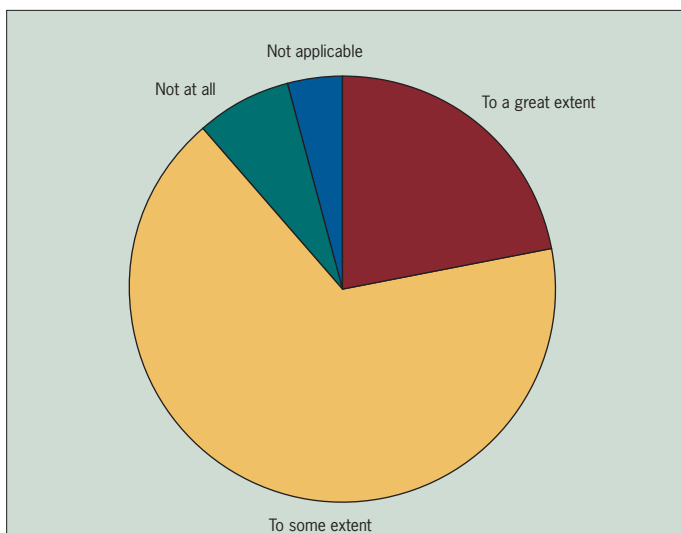
"Insurance must be the only business in which existing clients are less important than potential new ones."

"Same old story: how does this square with the current professionalism drive from the CII?"

our business and it's great to be recognised for both categories. We have a team of experts, many of whom are former brokers, who understand the needs of brokers and their clients. We provide the broadest coverage we can; we visit with brokers so we know the risks when we write them, which means we can pay claims quickly, efficiently and in full."

With commercial lines apparently failing to harden and expected to remain stable before our second survey of the year, the issue of dual pricing has once again raised its head. The phenomenon of insurers offering better terms for new business than renewals has been confirmed by 89% of respondents (see graph three). Seemingly speaking with one voice, brokers

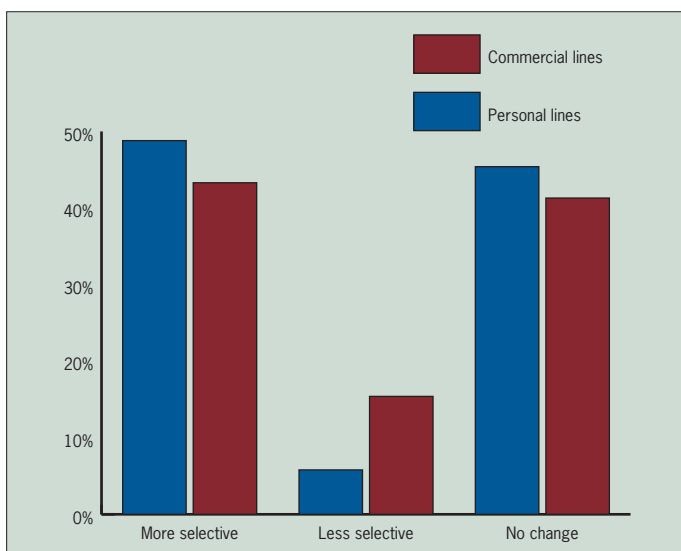
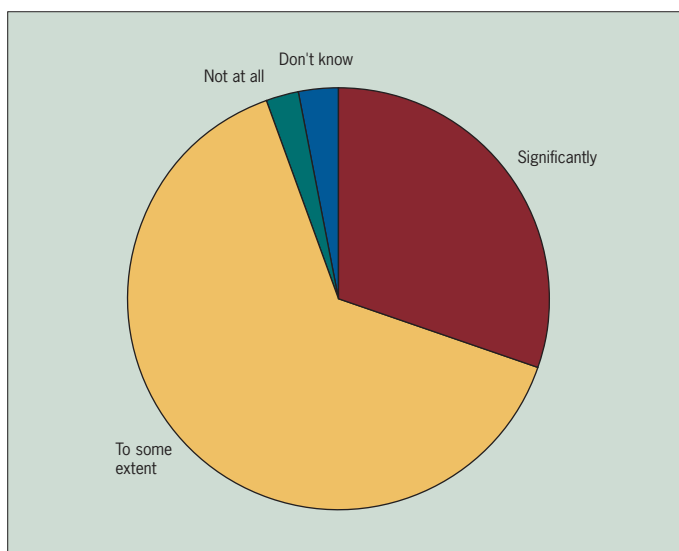



3. In commercial lines, are you seeing evidence of dual pricing?

continue to be amazed by the process. One commented: "As a customer I hate it and feel it's short term-ism." There is now demonstrable curiosity regarding how the practice sits with Treating Customers Fairly regulations and the Chartered Insurance Institute's drive for professionalism (see p.33). Where brokers do feel insurers are being consistent is in their selective approach to business: respondents reported that in both personal (49%) and commercial lines (43%), insurers are being more selective about the business they write than a year ago (see graph four). At this point 12 months ago, 60% of respondents had seen no change in personal lines.

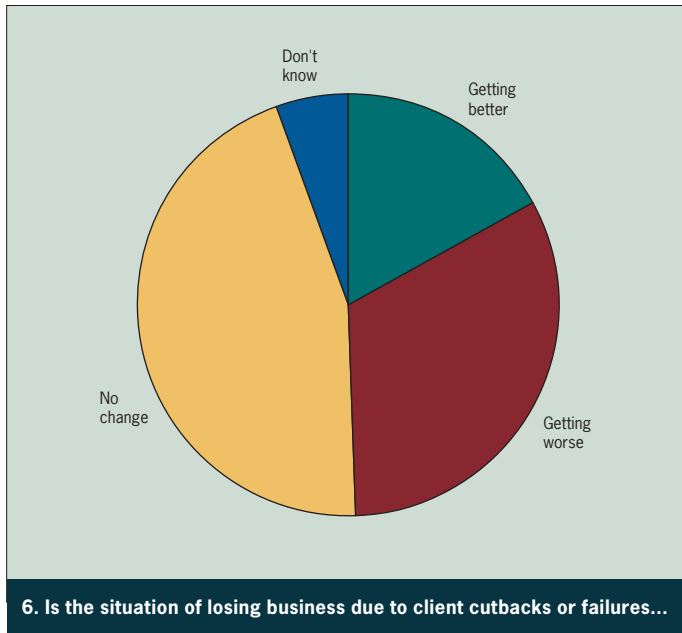
Commercial winner

Brokers were similarly consistent when asked to vote for their favourite commercial lines insurer. The results continued Aviva's impressive winning streak in the race for the number one commercial lines claims spot, making it four out of four since the category was introduced. The new name has seemingly elicited new warmth from brokers, with the insurer now also achieving top spot in the commercial underwriting awards category. Janice Deakin, intermediary and partnerships


4. Compared to last year, are underwriters being...

5. Are you clients looking to cut back on insurance products?



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director at Aviva, said: "Being the biggest does not always translate to being the best; sometimes it can feel like the opposite, so when it does it's hugely gratifying."

Pipped to the post in both categories was Allianz. Graham Gibson, director of claims at Allianz, commented: "Brokers are at the end of our service and we want to make their lives

On improving professional qualifications

"More online facilities for learning."

"Better internal guidance from people who have already achieved qualifications."

"Need to be brought up to date."

"Exams only measure someone who can read a book and transfer that information back onto a piece of paper in short timescales, whereas an experienced individual has learnt over years, not minutes."

"Make it cheaper for the smaller broker."

"Onsite liaison training: taking broker staff into the insurers' offices to see the other side of the business."

"At present I think they are adequate."

"Not possible in today's market."

Best personal lines underwriting service

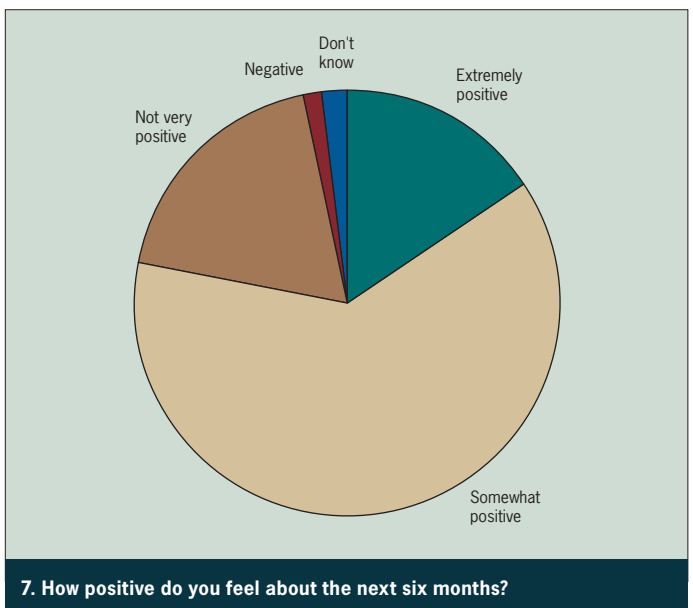
1. Fortis
2. Aviva
3. Chubb
4. RSA
5. Axa

simple. We place huge emphasis on technical skills and training through our academy and the Excellence in Claims division. We are the only insurer in the UK with claims training accredited by the Chartered Insurance Institute."

The effects of the recession were clear to see in the survey. Only 10% of respondents had not lost clients due to cutbacks or clients going out of business. Despite recent pronouncements of the end of the recession – thanks to 0.4% growth in gross domestic product in the final quarter of 2009 – brokers also confirmed that their client bases are still being financially squeezed.

Positive by nature

In total, 95% of respondents confirmed that clients are looking to cut back on insurance products (see graph five). Overall, there is little optimism for a quick turnaround, with only 17% saying the situation is improving. However, mirroring the



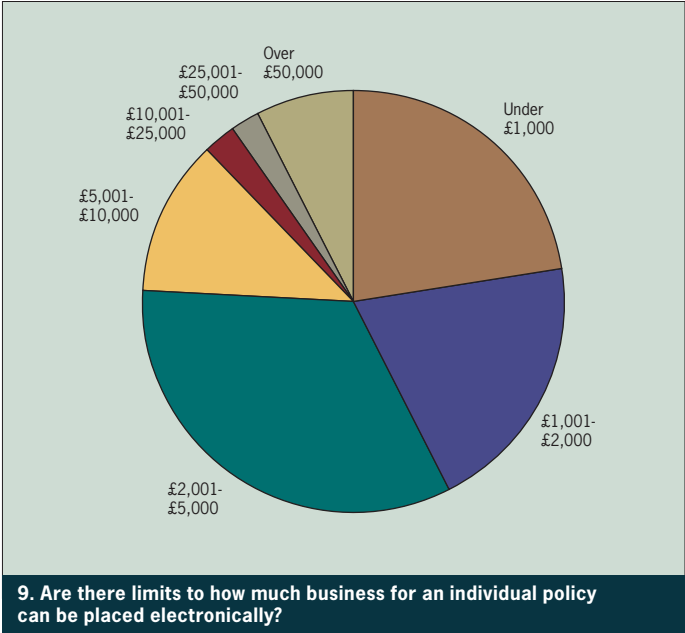
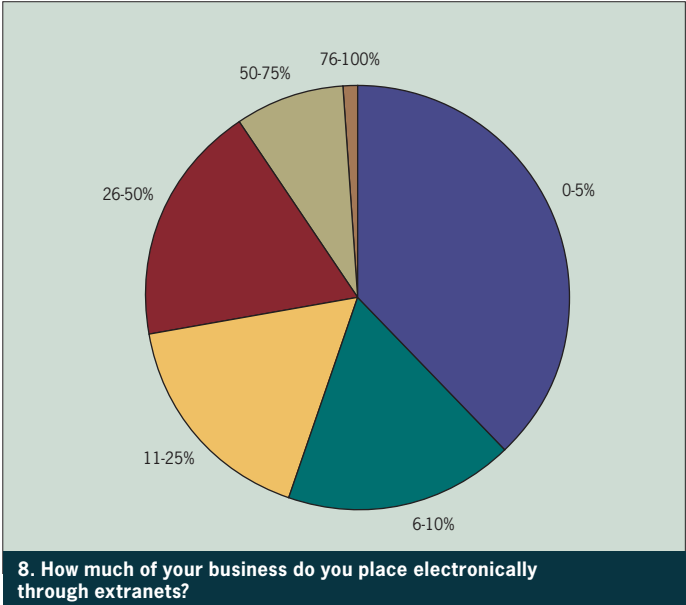
findings of the previous survey, brokers have again confirmed that they are inherently optimistic in their outlook. As graph seven shows, 62% are positive and a further 16% are extremely positive about the opportunities for their businesses over the next six months.

Graeme Trudgill, technical and corporate affairs executive at the British Insurance Brokers' Association, confirmed that the findings match Biba's own research. He said: "Capacity and competition remains in the market. Premiums remain low, as do the corresponding commission earnings and fees. There are signs of some increase in rates in specific areas, such as specialist lines and motor, and our members tell us they are now feeling more optimistic for the future."

One of the hot topics with insurers, brokers and technology companies alike is the growing interest in trading commercial lines products electronically. As Groupama's Laurent Matras

Best commercial lines underwriting service

1. Aviva
2. Allianz
3. Fortis
4. NIG
5. Groupama



pointed out on p.32, many brokers are placing a lot of business through extranets. However, according to the survey, 38% of brokers still trade less than 5% of their commercial business through extranets (see graph eight). For 'other electronic solutions', the figures are even more acute, with 45% of respondents claiming that less than 5% of commercial business is transacted in this way and only 8% of brokers trading the majority of their business using electronic formats. The survey also ranked premiums worth £2,000-£5,000 as the popular limit for electronic commercial lines business. The second-most popular figure was under £1,000 (23%) and 7% of brokers believe there is no limit to the premium value that can be traded electronically (see graph nine).

Commoditised products

In the main, brokers cited the complexity of risk and the need for human involvement as the reasons behind their votes. One respondent said: "The larger the risk, the more complex it can become. Many businesses don't fit set business descriptions provided by online services, thus proper underwriting of the

risk is needed.” The majority also agreed that commoditised products are best for electronic trading. One broker explained: “The more simple and usually lower-premium type cases lend themselves more easily to being processed electronically.” Some felt the situation is limited at the moment by insurers: “Flexibility and specific underwriting criteria for larger cases are more individual than some insurer’s systems allow.” Others felt the ball is firmly in the technology companies’ court, though: “Anything can be transacted electronically: it is more a question of whether or not the software houses can process correctly.”

With one eye on the future, brokers had a range of responses on where the commercial market is heading for electronic trading. Some believed there will be no change and some argued that up to 90% of business would be conducted on extranets. Others felt that comparison functions such as imarket or PowerPlace would become market leaders, while platforms such as Acturis and CDL received honourable mention. One broker summed it up best: “I do not really know. The pace of change is dramatic so I am sure it will be very interesting.”

Thoughts on the future

Some 68% of brokers feel confident that their businesses are investing enough in talent along with learning and development. When asked to specify which areas they thought were the most valuable, they ranked professional qualifications top, followed by soft skills training and management training. *The Aldermanbury Declaration* from the Chartered Insurance Institute had been live for less than three weeks at the start of PB’s collecting survey responses, by which time 39% had read the document. We hope that this figure is far higher now. Those brokers who had read the declaration were overwhelmingly supportive of the process and 67% thought it would have a positive impact. Sandy Scott, chief executive officer at the Chartered Insurance Institute, commented: “*The Aldermanbury Declaration* presents the insurance sector with a unique opportunity to deliver a message of trust and reassurance to its customers and employees.

“Early indications are that the declaration has been very well received and, like the majority of respondents, we remain confident it will have a positive impact on public confidence in the sector.”

In a new development for the survey, brokers were also asked to rank the best overall insurer. Winner of the inaugural award

was Aviva, with Fortis second and Allianz placed third. Deakin once again voiced the insurer’s pleasure with the results and affirmed that it will look to build for the future. She said: “There are lots of surveys carried out; the ones that represent the voice of the brokers are the ones that mean most to us but we won’t be taking things for granted: we will be aiming for the top spots in personal lines too.”

Chris Hanks, general manager of commercial lines at Allianz, added: “All our energies go on servicing brokers so I’m delighted with the feedback. Our model puts underwriters in the market where brokers trade so they stay close to the customers. We have an empowered branch network that gives speed and we continually recruit and strengthen as we aim for the top.”

With developments sure to continue in commercial lines electronic trading, the fallout from Quinn Insurance likely to have an impact on rate hardening, the ongoing CII professionalism campaign and all the insurers gunning for top spot, the second PB Sentiment Survey later this year is set to make interesting reading.

• Thank you to all that took the time to complete the broker-only survey; the next one will be published in October 2010. If you do not receive the survey and would like to then please e-mail ro.osborne@incisivemedia.com with your contact details. **PB**

