Capturing the moment

InsuranceAge SENTIMENT SURVEY

There was another increased response to the Sentiment Survey – the first under the wing of *Insurance Age* – again providing a clear indication brokers still have plenty to say about the issues keeping them awake at night.

Certainly the conditions being experienced in the UK's commercial insurance market remain the stuff of nightmares and there is little to suggest that we can expect much change anytime soon. Just over half of the respondents expect rates to stay the same, with perhaps the tiniest glimmer of hope being seen in the increase since the last survey in the number of respondents who believe that rates might yet harden over the next six months.

Let's hope that they are right. However, all the feedback I am getting still suggests that market conditions remain fiercely competitive. The major players seem to be engaged in an ongoing battle for volume rather than focusing on profitability. We are seeing silly price matching initiatives and almost 80% of those brokers who responded to the survey still report unacceptable dual pricing practices in commercial insurance.

There is the suggestion from the survey results that underwriters are slowly becoming more selective (with a majority of respondents believing this to be the case) but all the signs are that brokers believe we will have to wait a little while yet for a much needed market correction.

The growing influence of electronic trading in commercial lines was also evident from the survey. More than 80% of commercial brokers who responded indicated a desire to transact commercial combined business online with the majority suggesting that this would be most appropriate for smaller cases.

Almost a quarter, though, felt that cases worth £5,000 to £10,000 could be placed this way demonstrating the ongoing change in broker views towards e-trading.

Commercial combined policies are the 'bread and butter' of commercial lines business and given the current state of the market and the opportunities for greater efficiencies and lower costs, this changing sentiment can only be a good thing – especially as the survey reveals high levels of broker concern about the potential for direct players and aggregators moving into the SME arena. A whopping 87% reported worries about these organisations eating into their business.

When asked about use of the web to promote themselves, more than 90% confirmed they had an online presence – yet only a third have quote and buy sites. Given the growing preference of customers to buy in this way, there is more work to do if the broking community is going to continue to retain its historic control of the UK's SME insurance market.

The survey does provide some early evidence that brokers are reasonably active in the world of social media. Facebook and Twitter are becoming more popular means of networking and identifying business opportunities, with LinkedIn the most used. Although the number responding to this question was small, more than a quarter said that they are promoting their businesses in this way.

In the personal lines market things seem a little rosier as the market continues to bounce back from its recent travails. More than 80% of brokers felt that renewal premiums were rising in the year to date and the number of brokers who feel this way continues to increase.

The latest survey again asked brokers about the impact of regulatory issues. Certainly there is clearly still plenty of concern and upset about the Financial Services Compensation Scheme levy with just under a half (45%) of those responding suggesting it would have at least a 'medium impact' on their activities. Although more than a third felt that the rising cost marks the high water mark for payment protection insurance mis-selling claims, it is obviously still causing significant pain in the broking community.

With this in mind, only 36% feel that their trade body representatives 'are doing enough' to lobby the authorities but the majority either 'don't know' or feel that they could do more. On the face of it, more work needs to be done to communicate the full extent of the various lobbying efforts being made by the trade bodies across the market.

On wider regulatory matters, the jury is still out among survey respondents in terms of the likely impact of the incoming Financial Conduct Authority from 2012. Almost half are not predicting huge change, although 44% of respondents do feel that the regulator is likely to be 'even more intrusive'. If their concerns become a reality, then it will be a worry given the time, effort and cost that the market expends already in managing the regulatory burden.

According to the survey, a hefty near-60% of the brokers who responded currently have no succession plan in place. Given what we know about the demographics of the broking market this either suggests plenty more targets for future consolidation or alternatively, an ageing broking community with little in the way of an exit strategy.

Laurent Matras, managing director, Groupama Insurances

"More than 90% confirmed that they had an online presence – yet only a third have quote and buy sites"

The latest Sentiment Survey indicates that the market is definitely hardening in personal lines, dual pricing is still a concern for brokers and uncertainty remains over networks. **Emmanuel Kenning** reports

The latest Sentiment Survey has revealed brokers face ongoing challenges in commercial lines, although the tide may just be turning for future expectations. For the year to date, 37% of respondents said they had seen an increase in commercial lines renewal pricing (see graph right), still a minority but up from 25% in the final survey of 2010. However, a more encouraging 41% believe premiums will harden in the next six months (see graph below right), whereas previously only 31% had expectations of an increase. Personal lines looks a far happier place to be with more than four-in-five brokers surveyed witnessing a hardening of rates and a similar number expecting the trend to continue.

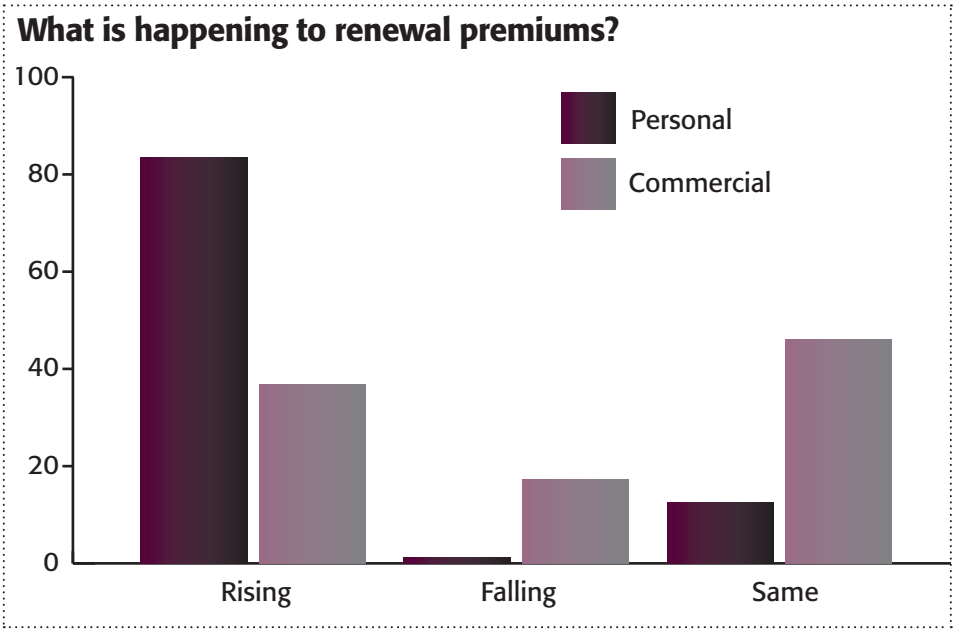
The experience of brokers in their dealings with underwriters was more consistent when it came to appetite for risk. As can be seen in the graph overleaf, both personal lines (80%) and commercial lines (72%) reported underwriters being more selective over business either to some or a great extent.

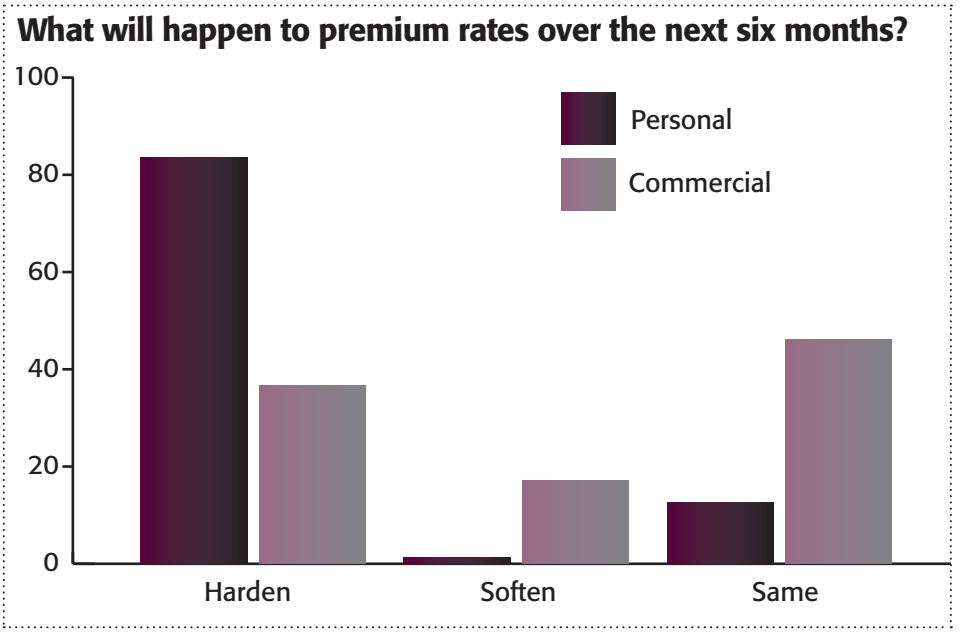
Dual pricing concerns

The high figures for dual pricing in commercial lines are, however, far less encouraging. The optimists could point to the fact that in October 2010 a whopping 90% of respondents saw evidence of the practice and that this has now fallen to 77%. But it appears the vast majority remain far from impressed with this aspect of insurer behaviour. One broker said: "It frustrates me enormously, there is no point in being loyal to an insurer because they take those clients for a ride." Another added: "It is ridiculous, a risk is a risk and should be rated accordingly. Dual pricing creates too much churn and too much administration." It was the issue that generated more opinion than any other in the survey and, as the box on p.55 shows, while a few were sanguine about the matter most were full of condemnation.

> **"A risk is a risk and should be rated accordingly. Dual pricing creates too much churn"**
>
> **Broker comment**

Brokers also had the opportunity to share their views on the qualities they appreciate seeing from insurers. On the underwriting side of the equation a universal refrain was access to qualified and knowledgeable staff, able to make decisions and treat each risk on its merits. Speed and accuracy of response were also appreciated along with fair pricing and a helpful attitude. On claims, prompt response times stood out like a beacon as the element most likely to endear providers ▷





to brokers, both at the initial approach and throughout the process. An appetite to discuss contentious elements was also appreciated.

When asked to rate the insurers, Aviva stood out with a winning performance across the board. Janice Deakin, intermediary and partnerships director at Aviva, admitted the insurer was proud of the performance describing the success in personal lines as the cherry on the cake. "The survey is titled broker sentiment, and broker sentiment is what is hugely important to us," she said. "We feel we have revolutionised our broker personal lines business over the last two years and to see this recognised in the top spot for personal lines underwriting and claims is fantastic."

Ageas, which came joint top for claims and second for underwriting in personal lines, will, however, be snapping hard at Aviva's heels in an effort to regain supremacy. Mark Cliff, managing director at Ageas, said: "Clearly we are delighted that in a very competitive marketplace we remain at the top for claims which is essentially the shop window of our industry. It is very important to us to listen carefully to our brokers so surveys like this are important to us."

Mr Cliff said that for Ageas, the process was evolution not revolution. "I think we do what it says on the tin. We try and settle claims fairly and quickly. For us it is important that we continue our ethos of low cost, high service," he explained.

On commercial lines, Allianz held on to its second spot in underwriting and also secured second place for claims, up from fourth in the final survey of 2010. Simon McGinn, director for commercial broker markets at Allianz, pointed to the insurer's investment in training front line underwriters to give a consistent service as the reason for the ongoing success and while pleased with the progress said he was still aiming for top spot. He added: "The guys in the claims team have spent a lot of time and money investing in customer service training. We've improved our efficiency and ultimately that comes through in the service and seems to be showing in the results that your readers are suggesting." ▷

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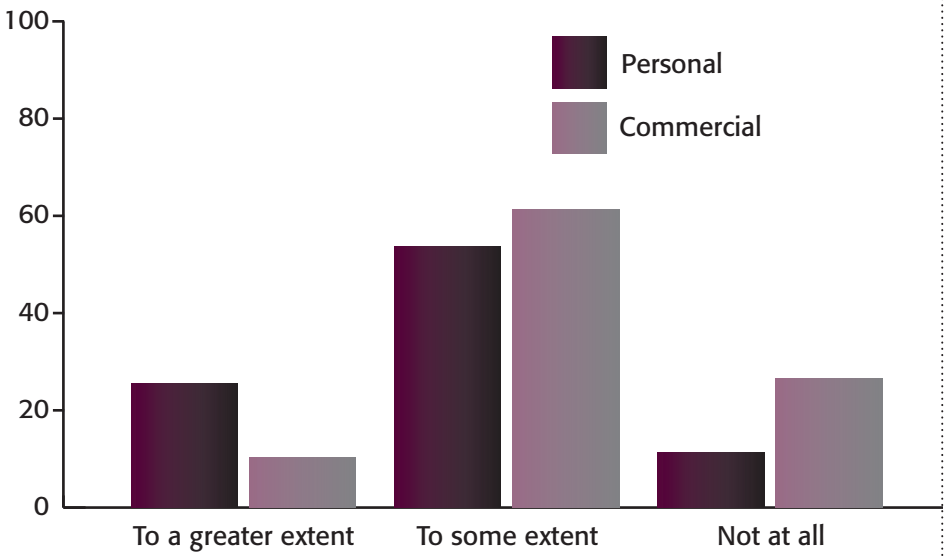
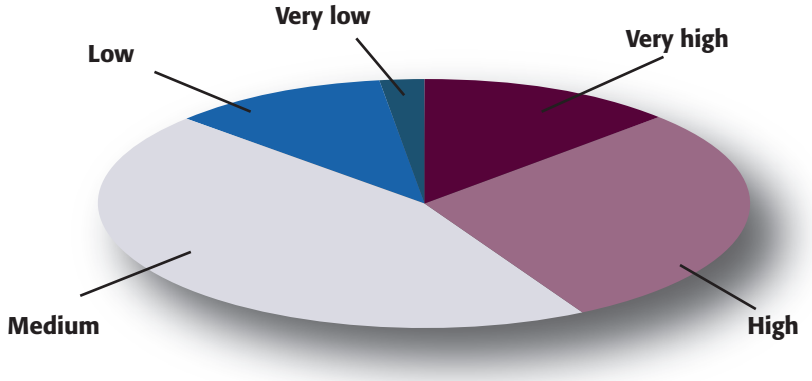
Janice Deakin, Aviva

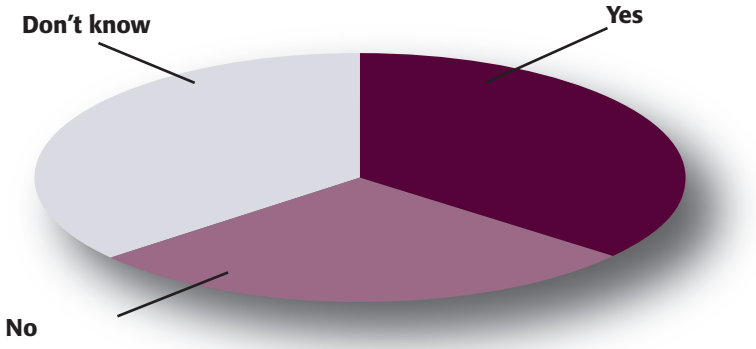
Are underwriters being more selective over business?



What level of impact will the latest FSCS levy rise have on you?



Does this mark the high point of mis-selling claims?



BEST UNDERWRITING SERVICE

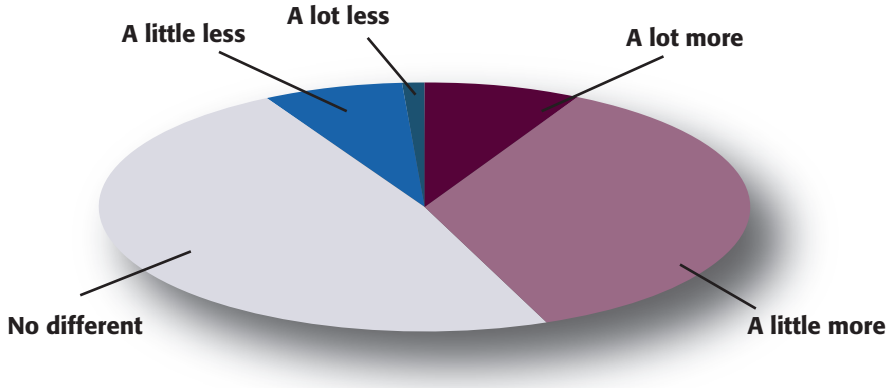
Personal lines
1 Aviva; 2 Ageas; 3 Chubb; 4 Axa; 5 LV

Commercial lines
1 Aviva; 2 Allianz; 3 Axa; 4 Groupama, RSA, Zurich

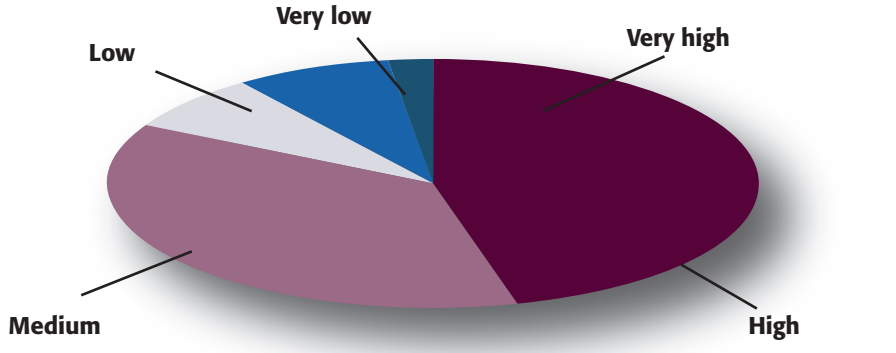
Like dual pricing, another issue that has long vexed the broking community is the Financial Services Compensation Scheme. It is clear from the responses that the recently announced increase is hurting brokers. An overwhelming 87% claimed there would be a strong impact on their business from the rises including 42% of respondents who predicted the impact would be high or very high (see graph on previous page). Claims for payment protection insurance (PPI) mis-selling are known to have driven the increase in fees and brokers seemed divided as to whether we are over the worst of it. Only one-third declared that the current rate of claims marked the peak in the process. As illustrated in the pie-chart on the previous page, most were either unsure (36%) or convinced it could yet get worse (28%).

> **"We've improved our efficiency and ultimately that comes through in the service and seems to be showing in the results"**
>
> **Simon McGinn, Allianz**

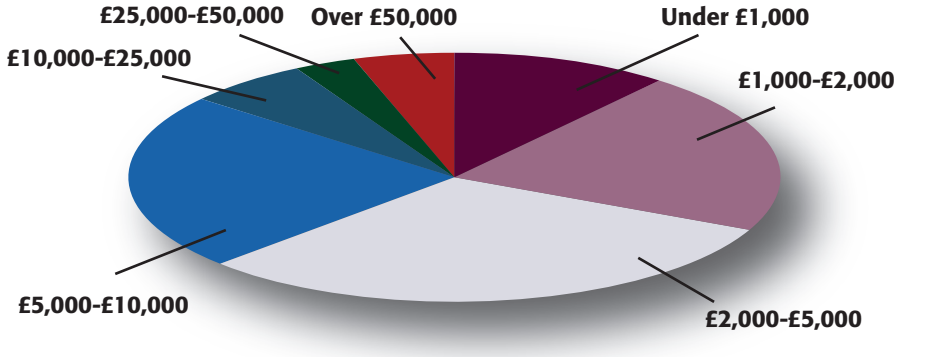
Will the Financial Conduct Authority be more intrusive?



How likely would you be to place commercial combined business electronically if facilities were available?



Are there limits to how much premium per policy can be placed electronically?



Less intrusive regulator?

Turning to the Financial Conduct Authority, the new body that will be regulating brokers in 2012, it is fair to say the level of anticipation is at best mixed. A generous interpretation would highlight the most popular response being one of brokers stoically expecting the status quo to be maintained.

A more pessimistic analysis would focus on the facts that only 7% anticipate the new regulator being less intrusive in the way it conducts its role while 44% believe it will be more intrusive than the Financial Services Authority (see graph left). The good news for the British Insurance Brokers' Association and the Institute of Insurance Brokers is that only 27% of those surveyed felt their trade body representatives were not doing enough to lobby the authorities on their behalf, although with 37% unsure there is clearly scope for further progress.

On the online side of things, brokers appear to have embraced the internet wholeheartedly with 90% having a website and 6% developing one. Of these respondents a quote and buy facility is still far from a given. Currently, 33% of websites offer the functionality with another 14% having it in development. However, the survey also indicated that brokers are yet to be convinced of the benefits of social media. Only 29% of respondents said they promoted their business on any social media site of which LinkedIn was the most popular followed by Facebook.

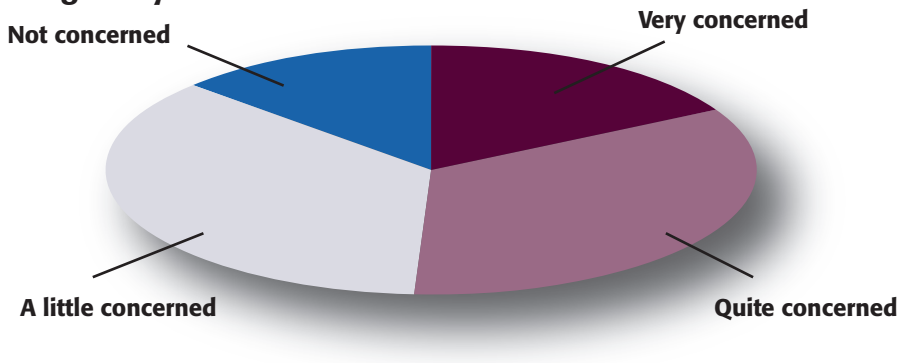
On the issue of dealing with insurers electronically commercial lines brokers displayed a high degree of enthusiasm. A total of 84% of brokers, drawn only from those who exclusively or predominantly deal in commercial lines, said they were very or quite likely to place straightforward commercial combined business electronically if the facilities with insurers were available (see graph on left). When asked how limited

BEST CLAIMS SERVICE

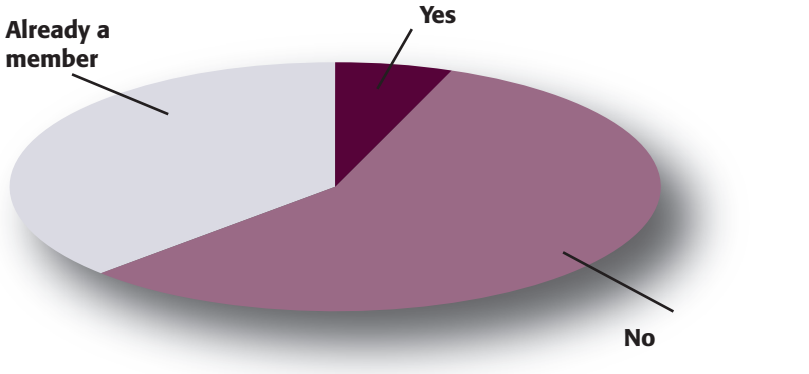
Personal lines
=1 Ageas, Aviva; 3 Chubb; 4 Hiscox; 5 RSA

Commercial lines
1 Aviva; 2 Allianz; 3 Axa; =4 Groupama, NIG, RSA

Are you concerned about direct providers and aggregators eating into your commercial business?



Have you considered joing a network in the last six months?



e-trading was in terms of premium value per policy, most believed it was limited to £2,000-£5,000 (see graph on previous page) with the second most popular banding being £5,000-£10,000.

Commercial risk

There was an almost perfect split in the level of fear that brokers are experiencing over the online creep into the trade of commercial products traded products. The pie-chart above shows that a combined 52% are either very or quite concerned about aggregators and direct providers eating into commercial business with the remainder a little or unconcerned. When asked to list the key areas at risk, most replied that it was commercial combined, commercial vehicle, fleet and packaged policies with property owners, shops and offices and tradesman liability coming notably to the fore.

Despite the doom and gloom in the UK economy with the green shoots of recovery still far from thoroughly rooted, brokers still appear wary of networks with the largest response coming from the 57% who have not even considered joining one in the past six months (see graph above). For those respondents already in a network access to market, enhanced commissions and better service from insurers were the reasons frequently cited for having joined. Perhaps another reason has been the ongoing support from brokers' bank managers.

Although tales of credit lines being withdrawn and loans refused are legion in the wider economy, and potentially something many clients have had to deal with, 84% of brokers reported having seen no change in their banking terms over the past six months. Indeed, while 10% said their terms had worsened 6% declared they had actually improved.

Finally, brokers appear relaxed about the need for succession planning with only 41% having any kind of plan in place. Given the figures came after recent coverage of the fact that 28% of brokers are aged over 60, it is a surprising statistic but perhaps one that will change in our autumn survey of 2011.

● *Thank you to all that took the time to complete this broker-only survey. The next one will be conducted in October 2011. If you do not receive the survey and would like to take part in future ones, then please e-mail tracey.curran@incisivemedia.com with your contact details. The winners of the competition were Ken Wilson, Priory Insurance Brokers, Helen Owen, Chase Templeton and Bev Launder, CP Walker & Son.*

OPINIONS ON DUAL PRICING

"We need competitiveness but not to the detriment of existing business."

"It is hard enough to retain business as it is. Insurers should look after what they already have at the same time as being competitive on new business."

"This has been standard market practice for so long – it is just dealt with as part of day to day business!"

"A waste of time!"

"It promotes the churning of risks at SME level as clients are willing to move to save premium."

"It shows poor underwriting strength of character."

"A natural market function."

"Not good for brokers or insurers, leads to too much re-broking and too many brokers chasing same business."

"Annoying that partners working on new business undermine relationship on renewal business."

"It is frustrating, very difficult to explain the logic to our customers."

"It helps me secure business!"

"It stinks."

"We all take advantage of this but I feel in principle that dual pricing should favour the existing book and not the new customer."

"Fundamentally wrong."

"It is exploitative and should be banned. It is not helping the market to find its proper level."

"Fact of modern life but makes insurers look laughable when talking to fellow industry professionals about hardening rates while doing the opposite."

"I think it is immoral and goes against the 'utmost good faith' principle."

"It has always happened."