

Cost of commercial cover continues to climb

Recent figures from the Acturis Commercial Lines Index shows business insurance remains on a relentless upward trajectory. **Rachel Gordon** reports

It now costs more to employ people, fuel bills are at record levels and there is spiralling inflation. Many firms are in a perilous position from the impact of the pandemic and when you add rising insurance premiums into the mix, these are hard times indeed.

Statistics from Acturis for Q1 2022 show rises

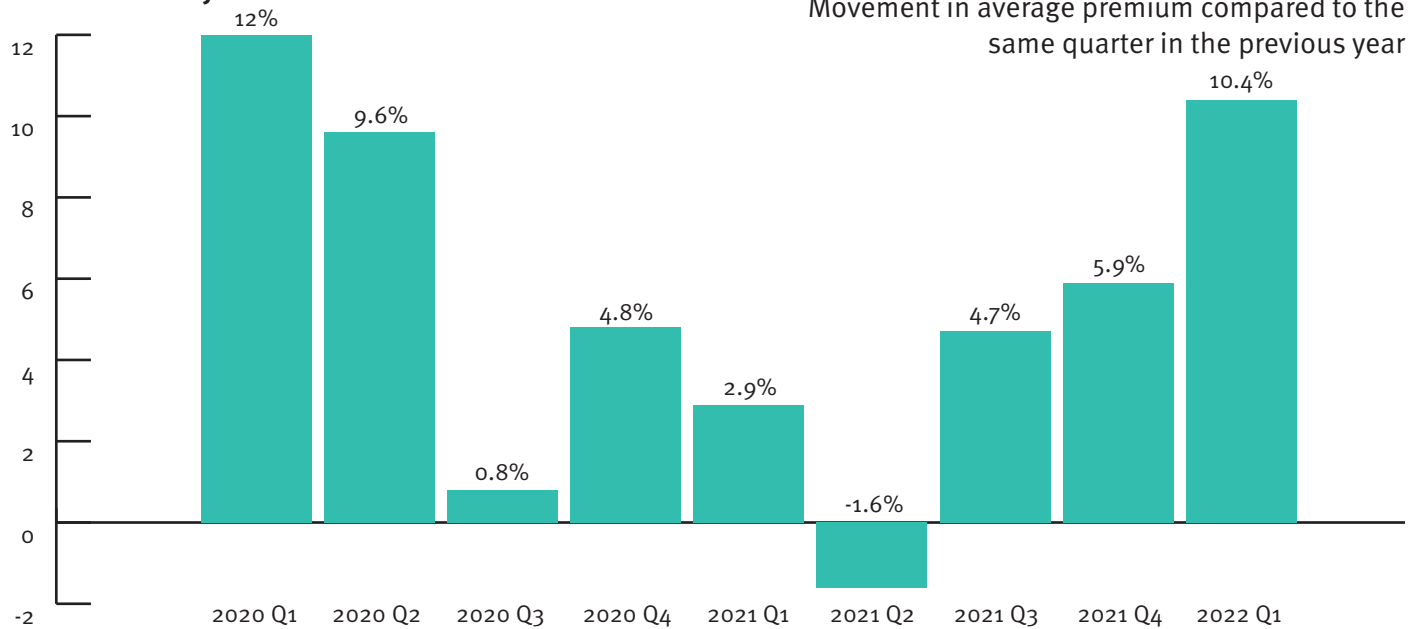
have occurred over the past year and there is no sign of them slowing down. The index represents the average premium in a typical commercial book of business for commercial combined, combined liability, fleet, packages, property owners and tradespeople. All have gone up to some extent apart from fleet. >>

The Acturis commercial broking index (Q1 2010=100)



COMMERCIAL BROKING INDEX

Combined liability



Movement in average premium compared to the same quarter in the previous year

Overall, the value of the Acturis Commercial Broking Index has increased 4.6% in the first quarter of 2022 when compared with the same quarter in 2021 – the largest such quarter-on-quarter movement that has occurred since the 2010 index inception.

Liability

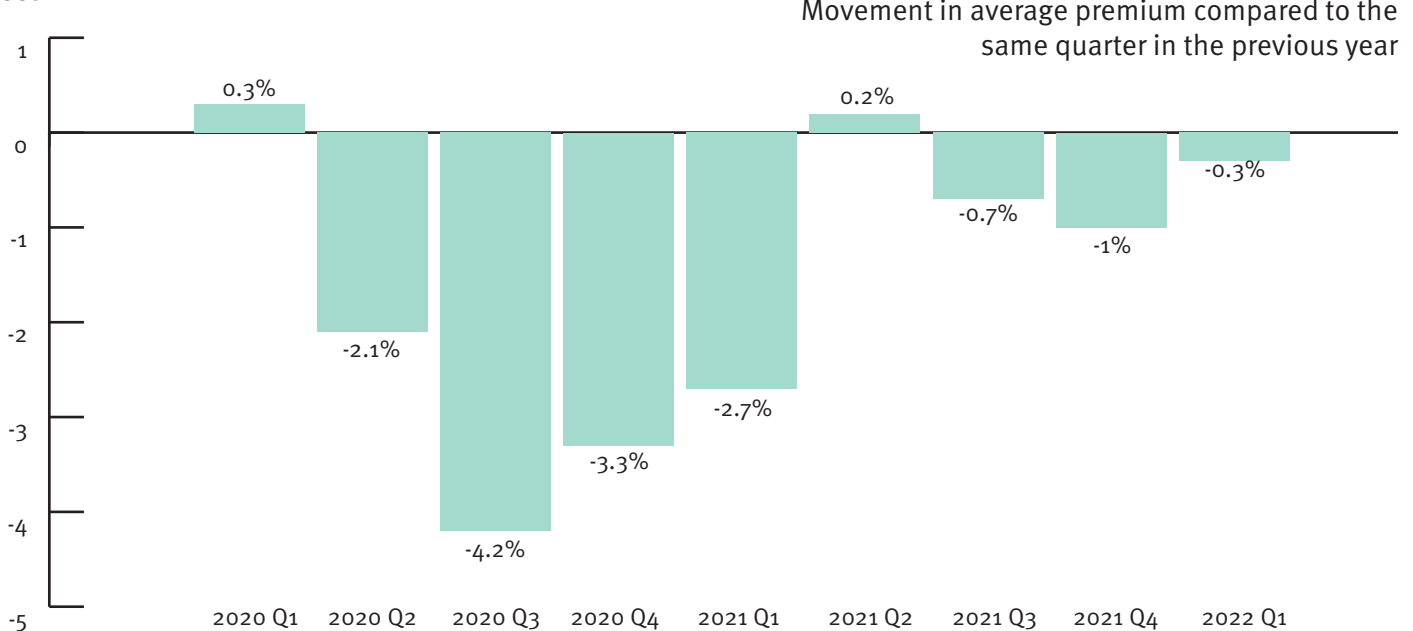
The rise is most noticeable in combined liability, where rates from Q4 2021 to Q1 2022

have gone up by 4.5% and looking at the year-on-year picture, these have increased by more than 10%.

Commercial combined, the most heavily weighted class in the survey, is up 1.5% for the most recent quarter and over the year, has risen by over 6%. Further, there has been a 0.9% increase within packages from the last quarter, which year-on-year went up 4.4%.

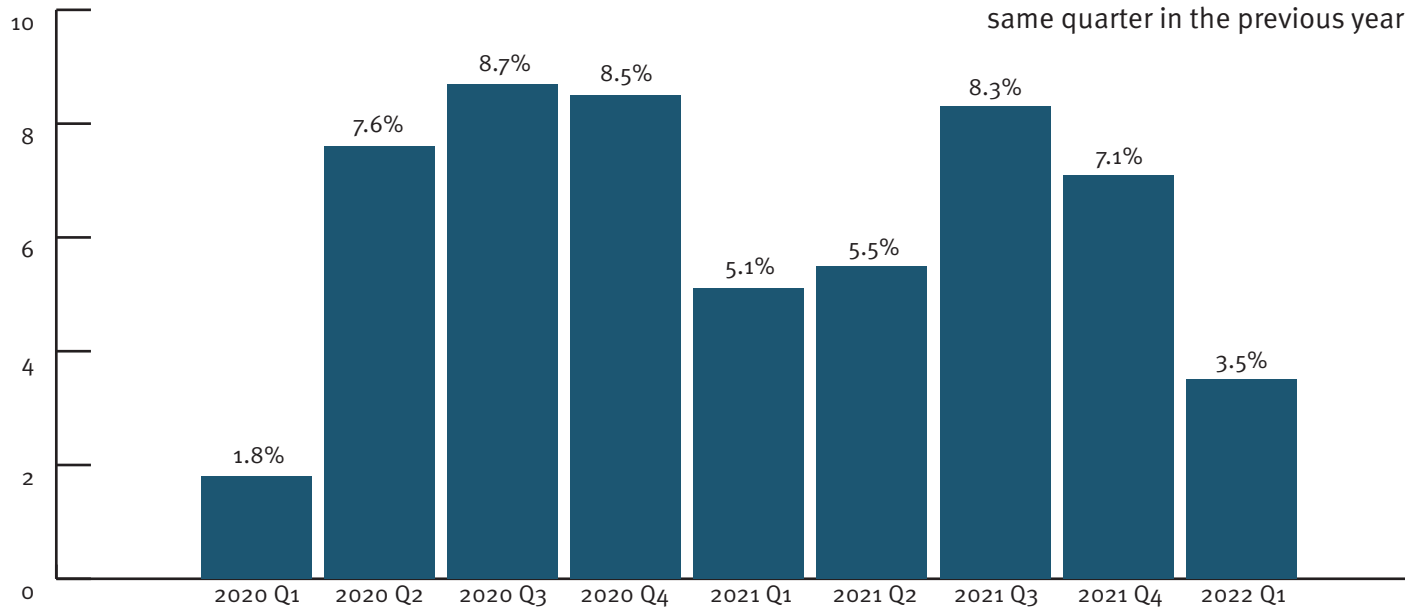
For property owners, the trend is upwards, but less marked when looking at the most recent quarter – for Q1, there is a 3.5% rise, whereas for Q4 last year, it was 7.1%. Acturis states that this is a modest movement compared with recent quarters and may be “due to the fact that we have recently seen large increases over the previous seven quarters and may be a sign that the rate of increase in the cost of property owners’

Fleet



Movement in average premium compared to the same quarter in the previous year

Property owners



premiums are starting to slow down to just be in line with inflationary increases.”

Cover for tradespeople is similarly more costly, but again a gentler rise – of 0.4% – coming in at 5.8% for the most recent quarter, while it was 5.4% for the previous one.

Repercussions

In contrast, fleet has shown a -0.3% fall for Q1 2022, but this is compared to -1.0% for the

previous quarter. Pandemic repercussions are likely influences, with less driving and many still homeworking. Yet the narrowing gap, according to Acturis, suggests fleet rates are likely to begin increasing soon given the cost of driving and maintaining vehicles is going up.

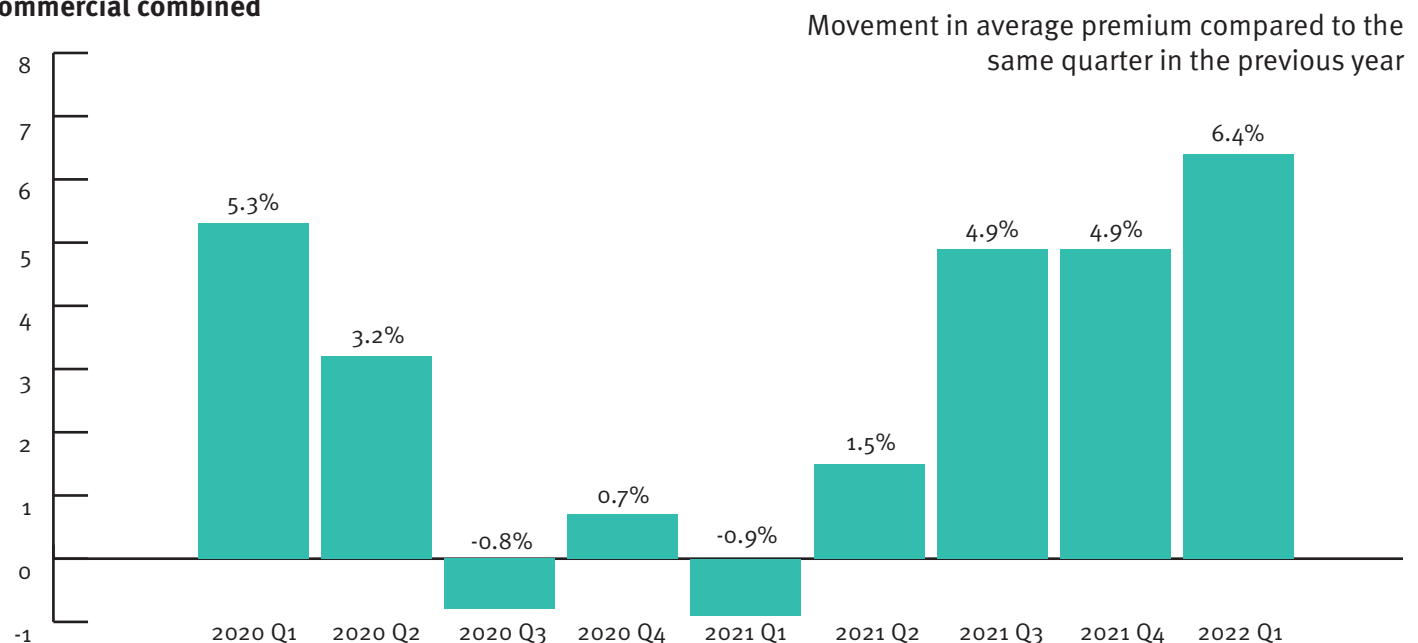
Meanwhile, how are brokers dealing with being on the frontline as customers complain about steep premium increases?

Richard Easterbrook, director of commercial insurance for A-Plan Insurance says higher premiums are being driven by the hardening market and inflationary pressures. “The importance of advice to help clients through this is huge but, unfortunately, we see an increasing trend to non-advised in this space, which will only hurt client outcomes.”

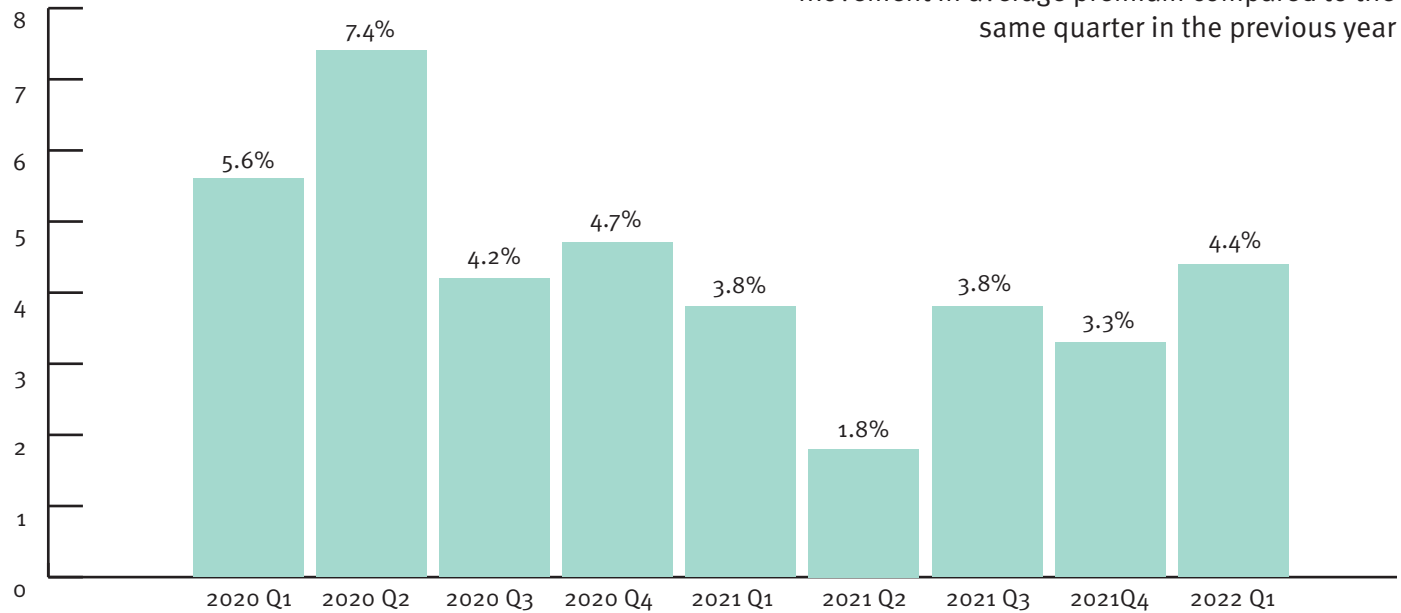
He adds the FCA’s focus on value in the distribution chain means “it’s incumbent on



Commercial combined



Packages



Affordability looks set to be increasingly important when buying cover – providing in such turbulent conditions that a business can stay afloat

» insurers to ask brokers how their products are being distributed. Are all of their clients receiving advice? It can only hurt our industry if we continue to commoditise distribution to this broad diverse and often complex client sector.”

Beyond advice, there is also a need for brokers to source quality cover at fair prices and this can be where larger brokers can have more leverage – it may also mean more also consider network membership to boost competitiveness.

Julie Rayson-Flynn, director with network Brokerability, comments: “Rates across all classes are most definitely going up, as well as some sectors finding capacity reduced and, in some cases, almost impossible to find.

Clients are seeing all areas of cost increasing and this invariably leads to looking to the possibility of reducing covers.”

She continues: “The reputation of insurance and insurers continues to generally be quite negative and its key for brokers to push their access to markets and deep understanding of clients’ cover needs, to ensure they are met correctly.”

Squeeze

While far removed from the SME experience, insurers too will be feeling the squeeze, whether as employers, higher claims costs, potentially more fraud and pressure from brokers to drive down premiums.

Deepak Soni, director of commercial at Axa UK, says: “We always ensure that our premiums reflect fair value for the products and services we provide. We deliver tailored cover to our business Insurance customers and enable them to combine different policies, so that they only pay for what they need.”

Affordability looks set to be increasingly important when buying cover – providing in such turbulent conditions that a business can stay afloat. The Acturis figures show apart from a few exceptions, that premiums have been rising in recent years across the board and there may be worse to come. With the enormous pressures now facing businesses, it seems a cost of commercial insurance crisis could well be around the corner. **ica**

[EXPLAINING THE FIGURES]

The Acturis commercial broking index consists of quarterly figures calculated on a base line of the first quarter of 2010. It has been designed to represent premium movements in a typical broker’s book of commercial business. This index uses weighted figures from commercial combined (35%), fleet (25%), property owners (18%), packages (12%) and combined liability (10%) indices based on the portion of GWP each class of business

represents in a typical commercial book.

The further indices in the Acturis Premium Index covered in the text show year-on-year comparisons measured across £5bn of premium. The movements in premium can be driven by changes in the size of the risk and the level of the insurance rate. By comparing each quarter with the same period the year before it is most likely to set the pricing of similar risks against each other.