Pricey premiums pile on the commercial pressure

There have been rises across all classes, except fleet, as recent figures from the Acturis Commercial Lines Index reveal, putting pressure on companies. **Rachel Gordon** reports

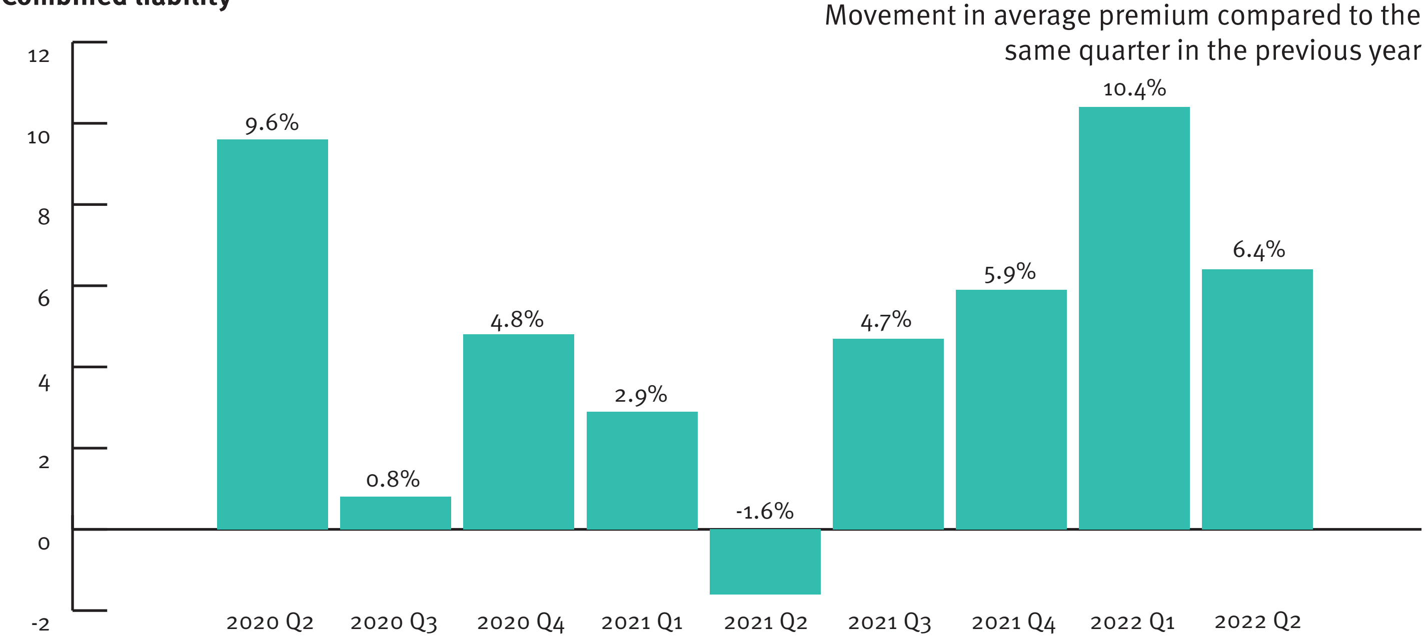
As renewal terms rocket and new business quotes hit the roof, many companies will be finding the price of insurance hard to bear.

The Acturis Commercial Lines Indices Q2 2022 shows rises across all classes, excluding fleet. Comparing Q on Q, commercial combined is up 6.4% - painful enough, but there was a further 6.4% rise in Q1 - go back to Q4 2021 and there was a 4.9% hike. To find a decrease, it is necessary to go back to Q1 of 2021, when it went down 0.9%.

With property owners, Q2 shows a 5.7% rise, while Q1's increase was 3.5%. Liability

The Acturis commercial broking index (Q1 2010=100)

Combined liability



premiums rose 6.4%, down somewhat on the whopping 10.4% jump in Q1.

Sharp end

Brokers are at the sharp end, bearing bad news with premium rises while warning against cutting corners.

Andrew Kells, commercial account executive for Business Insurance Specialists says: "Given the spike in inflation and raw materials costs, as well as supply chain issues, we're beginning to see a risk of potential claims shortfalls."

> It may have seemed quick and easy to buy with a few clicks, but at worst they've had claims rejected or we've highlighted the cover purchased is wrong for their business. We're getting a lot of new business queries.

BIS offers a rebuild cost assessment package and regular client cover reviews and Kells adds more clients are reaching out for guidance, with a number of new client wins.

Matthew Collins, managing director for Ascend Broking Group, says: "We take a deep dive, a 360 degree view, about the business as even with small companies."

Some found going direct did not work out. "It may have seemed quick and easy to buy with a few clicks, but at worst they've had claims rejected or we've highlighted the cover purchased is wrong for their business. We're getting a lot of new business queries."

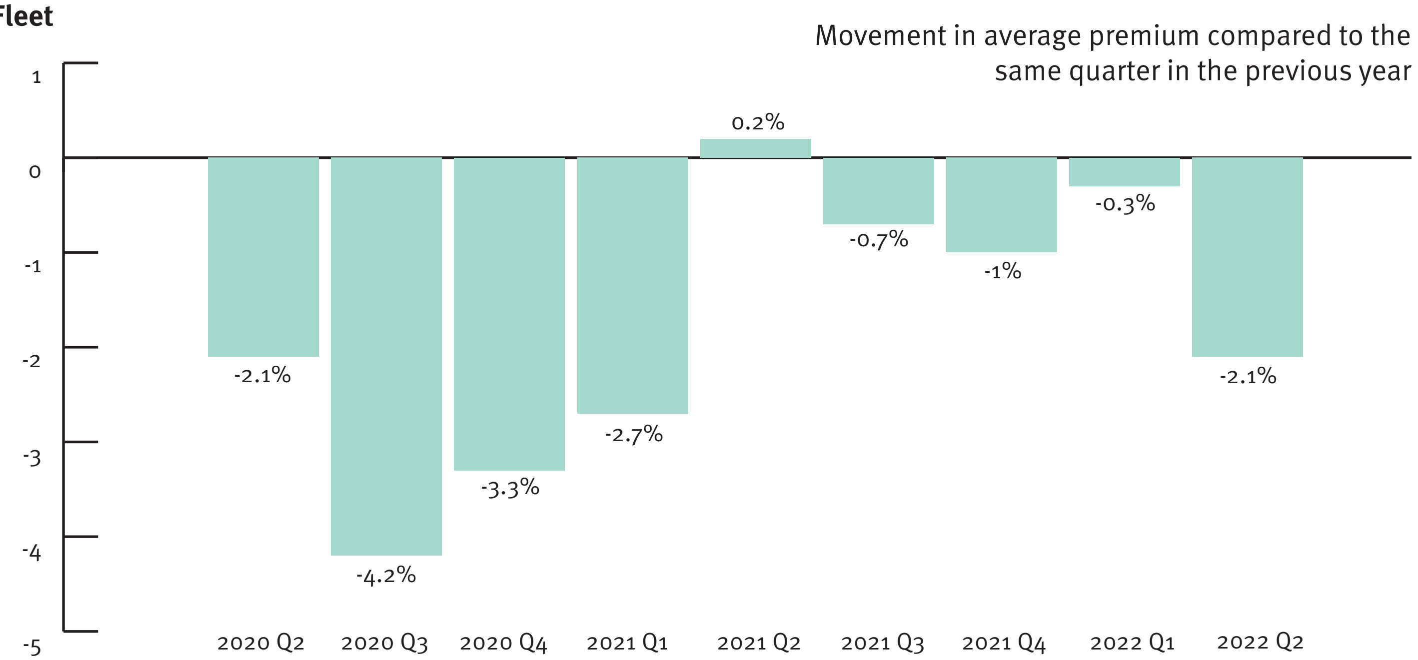
But there can be no sugarcoating. As Collins says: We insist on advice before price and telling the client exactly what an insurer is like beyond premium, including how they respond in a time of need with a claim. Our claims team sees the good, the bad and the ugly first-hand."

Service

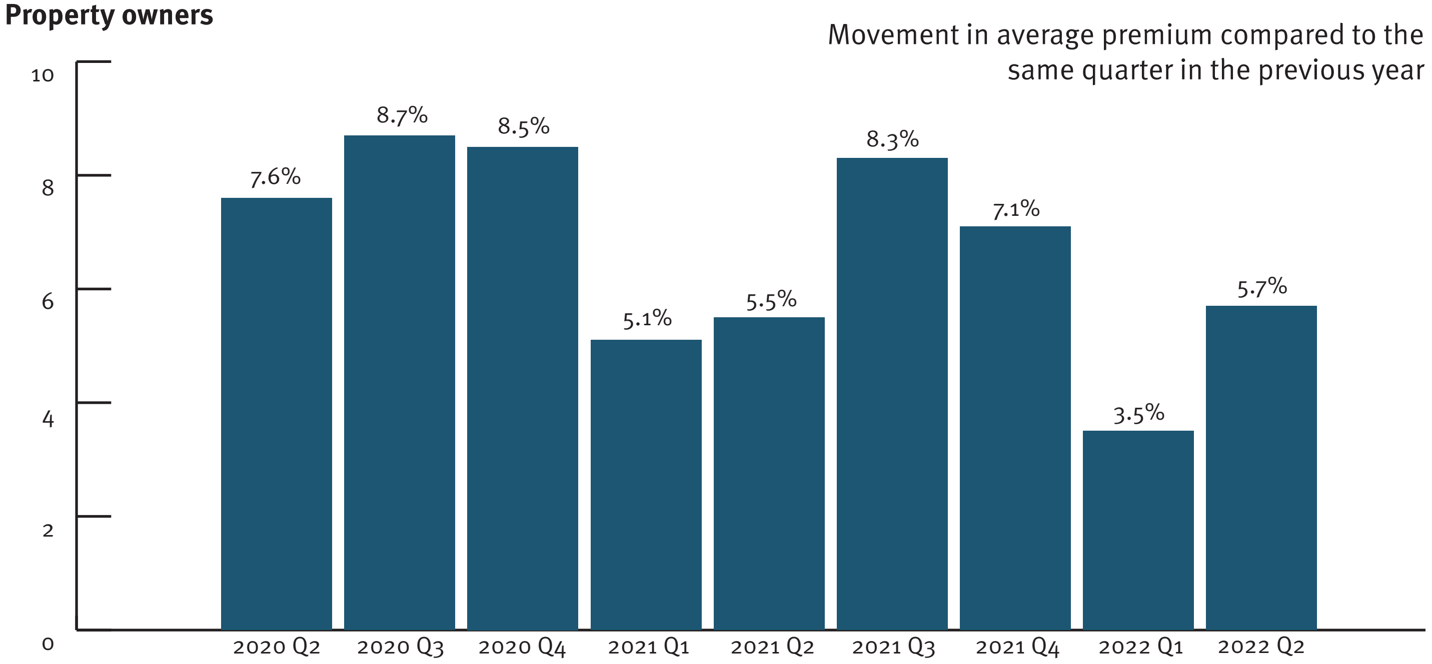
Hefty premiums are bad enough, but brokers also say service is not up to scratch.

"We're seeing attempts to turn claims down and when trying to speak to the insurer,

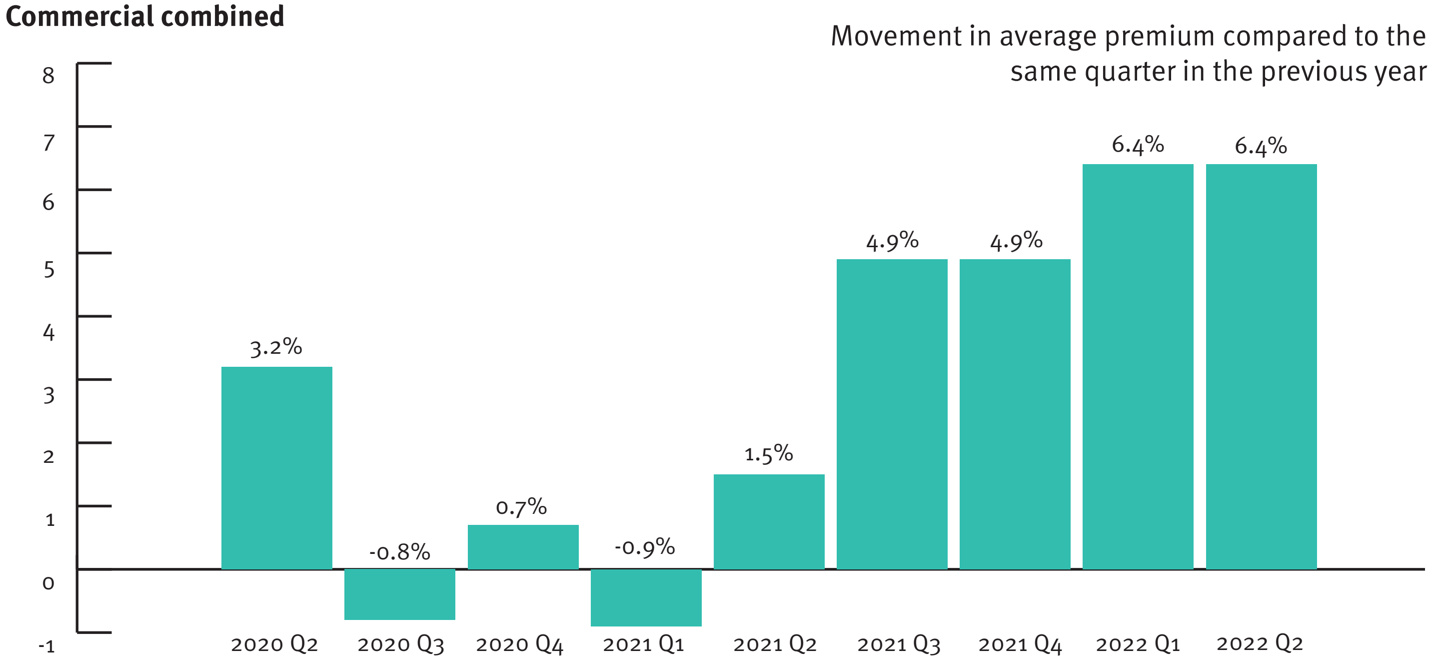
Fleet

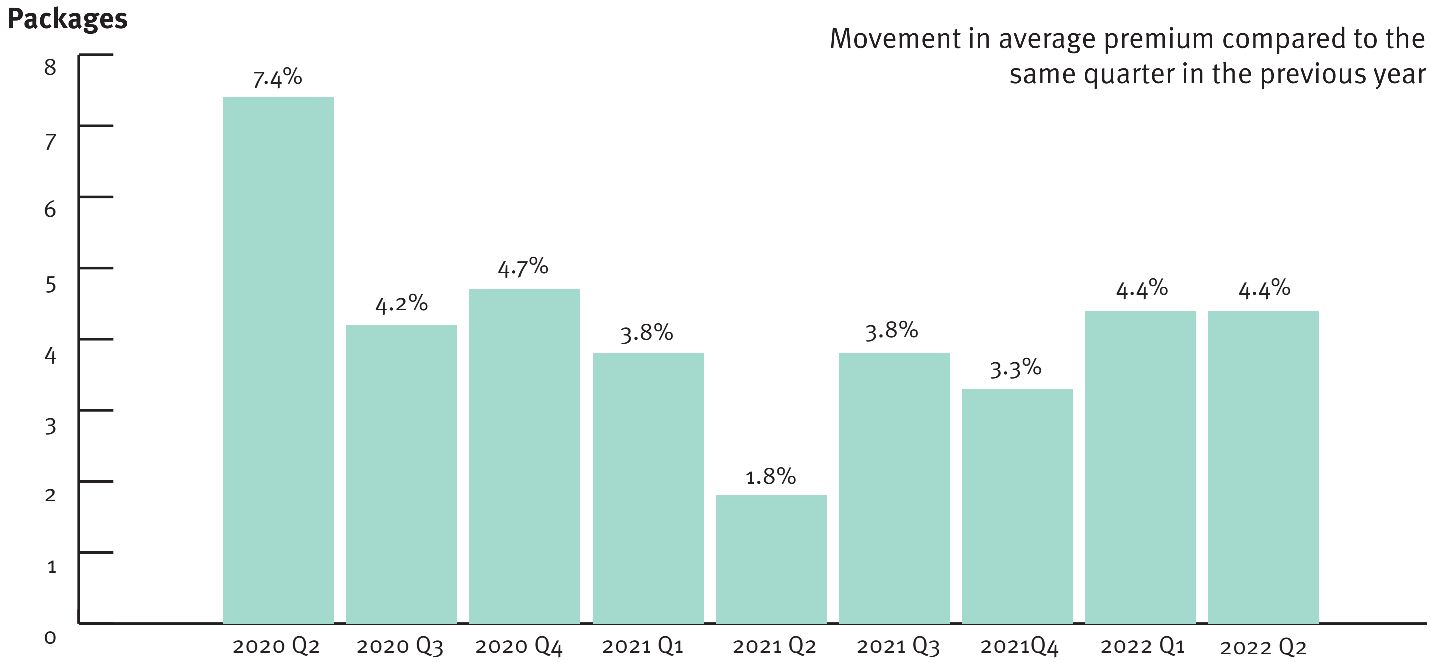


Property owners



Commercial combined





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

brokers are told by some insurer claims teams they'll only reply by email - in some cases, delays last weeks. How is that treating customers fairly?" asks Collins.

This has benefited the MGA sector, which can offer better cover and service.

Aaron Woodhams, head of underwriting for Iprism, says rates are constantly reviewed and assessed in line with the market, its own books, local and global factors. "Although we've applied these necessary adjustments, we've done it relative to market activity, ensuring both rating adequacy for our insurer partners, but also fair prices for customers.

"Robust interrogation of our MI means we've been able to work closely with our broker partners to ensure a transparent approach to pricing, avoiding some nasty renewal shocks."

He adds brokers are working hard educating clients, showing how careful management of exposures can reduce costs as well as doing more to help find manageable payment solutions.

Mitigation

Further, there can be scope for some companies to mitigate cost. "Some SMEs, warehouses for example, adjust stock levels in response to the market and lower volumes of business, reducing their cover in response."

Andrew Shaw, managing director of Claims Consortium Adjusting, comments: "There's a perfect storm with inflation, Ukraine, Brexit and Covid-19. There are some building material shortages, these are also costing more, it's also harder to find tradespeople and builders and their wages have also risen - fuel costs are also having a knock-on effect. Supply chain issues may mean waiting longer for some imported materials for a claim, such as steel joists."

He adds the focus on resilient repairs, such as after flooding, may also mean higher costs although there are longer term benefits.

When it comes to premium rises, there is no let-up in sight, which means the demand for guidance from brokers also looks set to continue for many months to come.

[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.