Feeling the squeeze as commercial continues to climb

Recent figures for Q3 from Acturis show policyholders remain under intense pressure as premiums rise across all business classes, reports **Rachel Gordon**

Commercial premiums were 4.7% larger in quarter three compared to the same period of 2021, according to the Acturis Commercial Lines Index, which has seen the biggest year-on-year upwards movement since it began surveying the sector in 2010.

The figures across all classes show a 0.7% increase in the growth rate compared to the previous quarter when it stood at 4%. This time last year the percentage growth in average premium was 3.9%.

However, as Acturis itself points out, while this continues recent trends of commercial insurance premiums rising with inflation in the wider economy "brokers will be acutely aware that this level of growth is significantly less than RPI".

The index, which is produced quarterly, covers the core commercial lines of combined, liability, fleet, packages, property owners and tradespeople.

Biggest movers

Hefty rises can be seen in commercial combined, the most heavily weighted class in the index - growth is shown as 5.9%. There has been a slight fall in the rise compared to the previous quarter of 0.5% (Q2 was 6.4%). Liability, meanwhile, hit 7.4%, up a full one percentage point above the Q2 figure.

Packages came in with a 4.6% rise and are 0.2% up on Q2, while property owners soared to 6.3%, up 0.6% on Q2. Tradespeople is also up to 6.4% and this is a 0.6% rise on the previous quarter. However, one of the most interesting trends can be seen in fleet – there is only a 0.5% rise, but this comes after months of near

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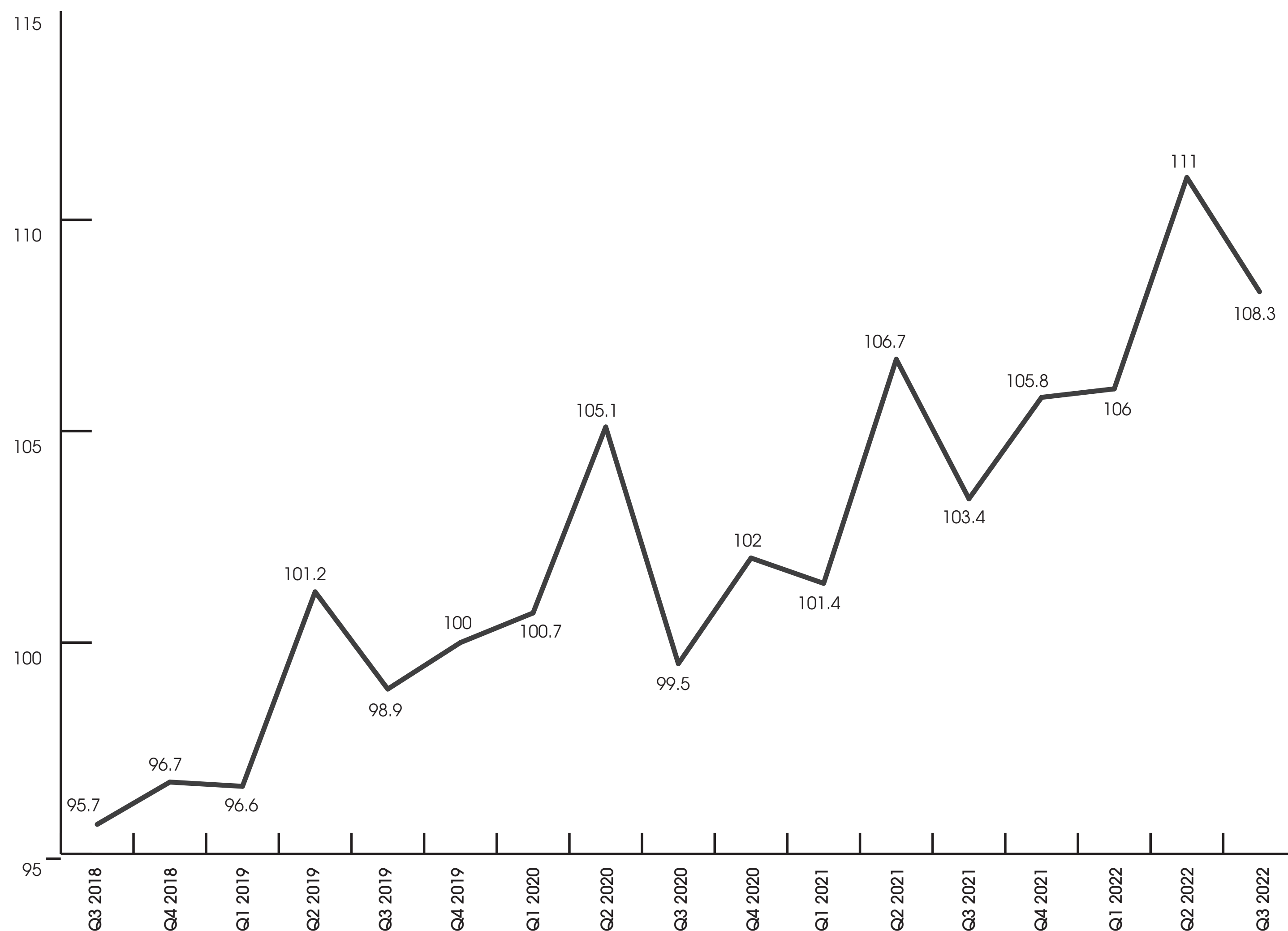
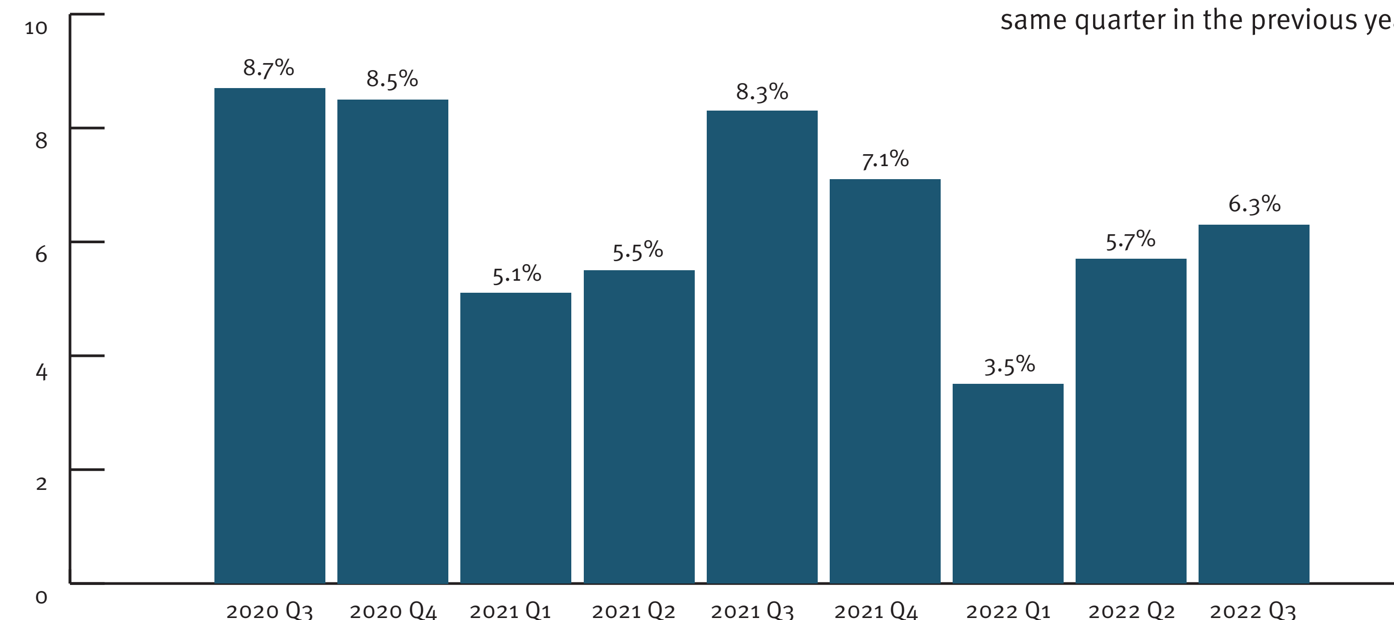
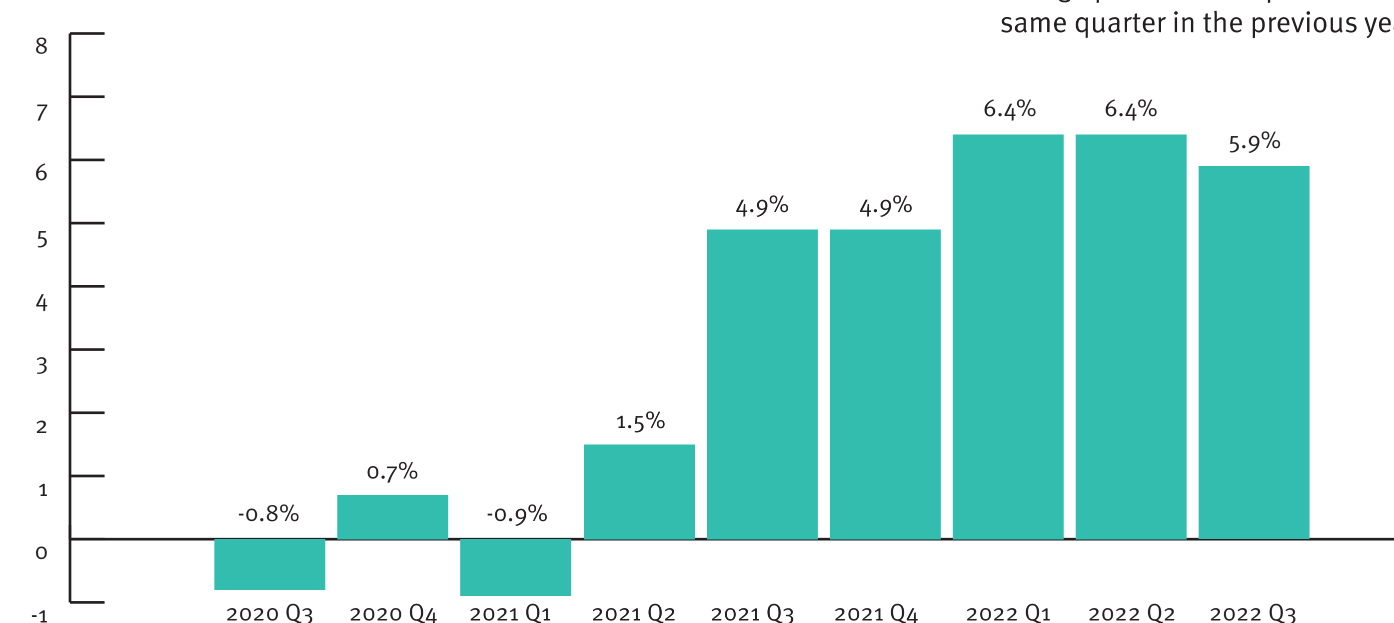
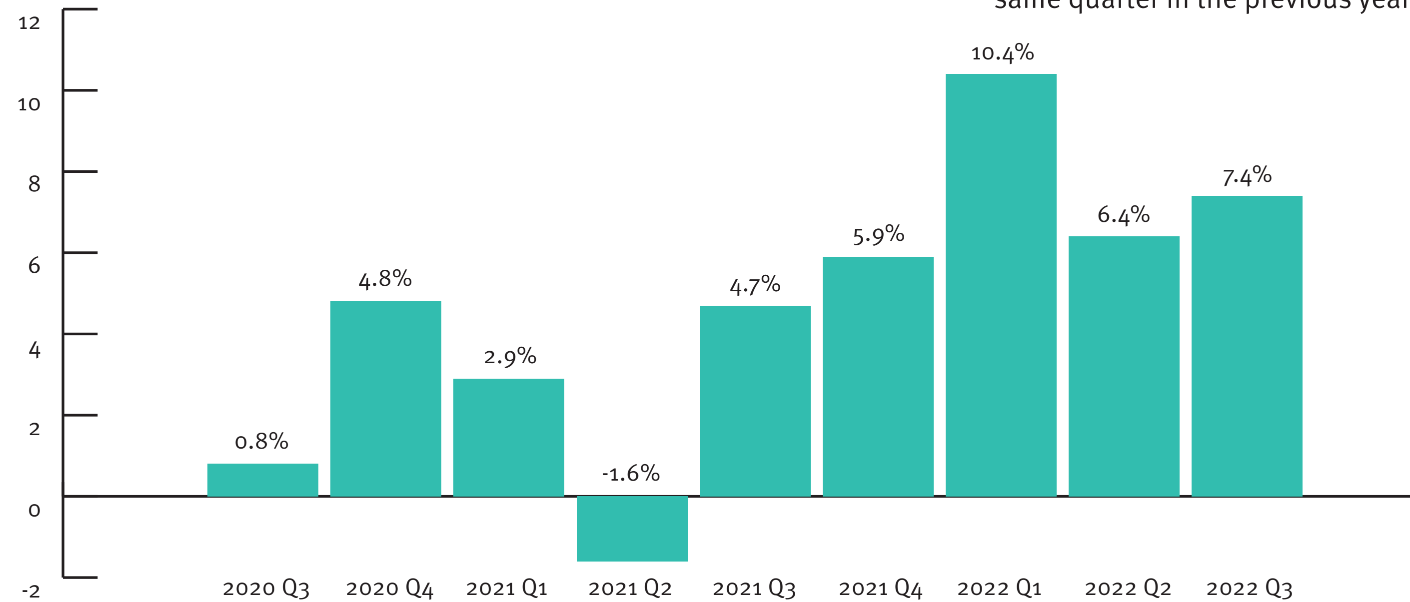






Combined liability

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



continuous falls which began in Q2 2020. These were closely connected to the fleet sector being affected by the pandemic, with few drivers on the road and a reduction in claims.

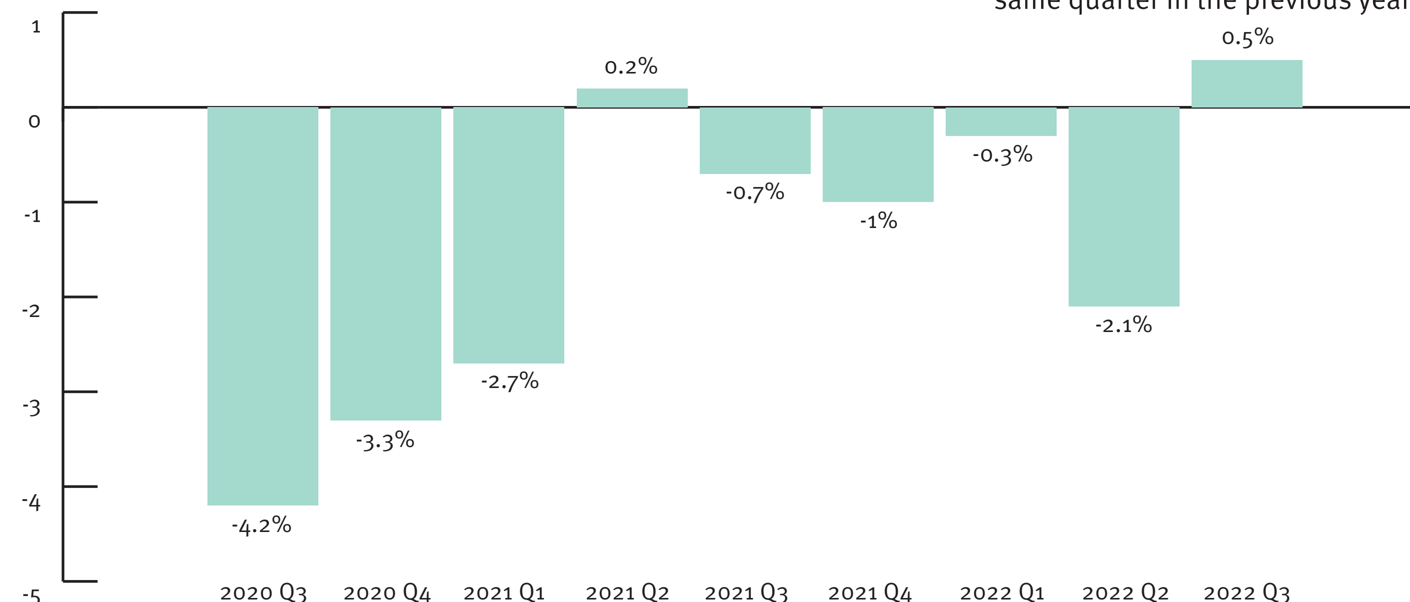
Aaron Woodhams, head of underwriting for MGA Iprism, says rates rises are connected to Covid, Brexit and the Ukraine conflict, but also, "loss of rent on commercial properties is a less well known, and increasing contributor, and one which I feel is overlooked."

He points out: "Many insurance policies have a 12-month limit of indemnity on loss of rent following a commercial loss, but we're seeing longer and longer delays on reinstatement, as a result of material and labour shortages. More clients are now asking for extensions to a 36-month limit of indemnity on loss of rent – and in a period of inflation, those costs are higher than ever."

Commercial has been hard hit, as Woodhams says: "Governments typically focus on residential property developments as recession looms to stimulate growth, this year is no exception. With skilled labour being channeled towards these projects, delays in reinstatement will become more prevalent."

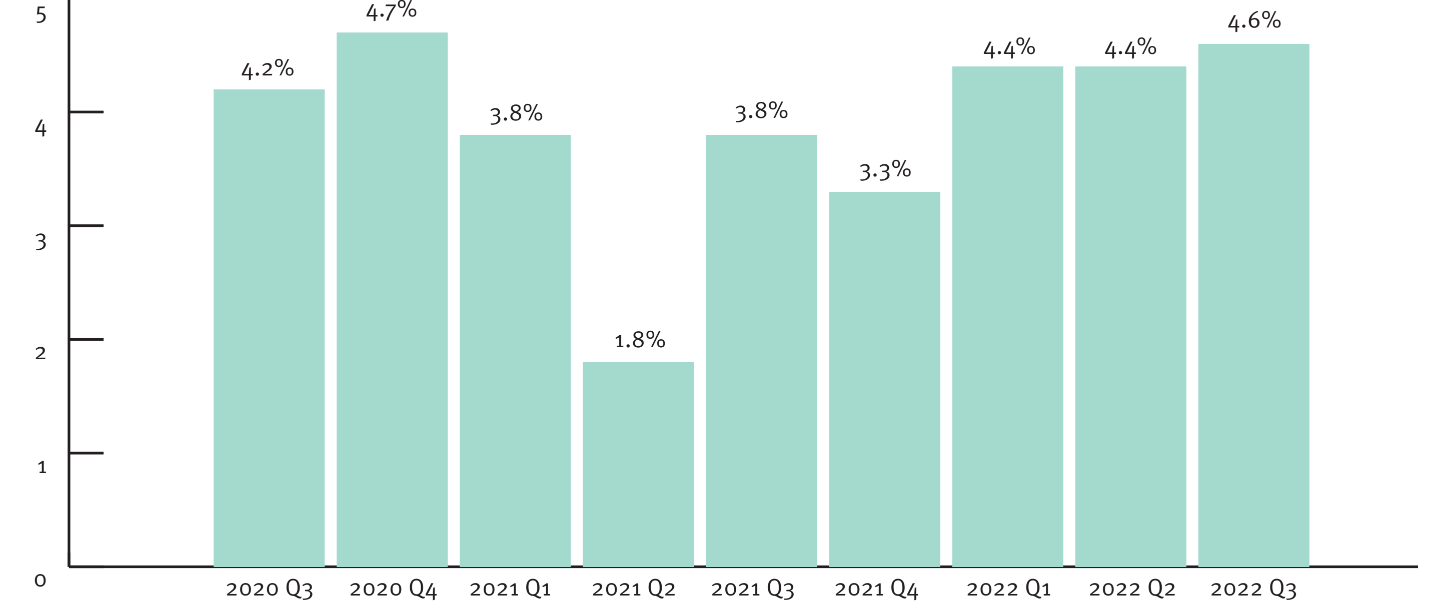
Fleet

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



Packages

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



> **Many insurers have still not recovered from the impact of covid and hybrid working and all are struggling to recruit staff.**
> Paul Anscombe

Shortages could worsen

What is more, he says materials shortage problems could also worsen when, "the [war in] Ukraine comes to an end – when the country begins the rebuild process, much of the materials will come from across the EU leading to further shortages."

Paul Anscombe, CEO of The Seventeen Group, agrees these are tough times. "Our sense is that we are going to see more rate rises – particularly post this year's reinsurance renewal season. Reinsurers have been hit by a number of factors and this will feed through into the retail markets. Property risks are particularly hard to place, especially the larger ones, and insurers are seeking to cut line size on larger and non-standard risks.

"We are also seeing insurers' combined operating ratios deteriorate and they will have a high degree of nervousness around the impact of the economy on policyholders – especially when inflationary increases are punitive now on top of rating increases. This will lead to an increase in fraudulent claims, which compounds the issue."

There are, though, likely to be more calls for advice from brokers. Anscombe adds: "Clients need advice and risk management support more than ever. Many insurers have still not recovered from the impact of Covid and hybrid working and all are struggling to recruit staff. This lack of resource results in them focusing on vanilla business and causing issues on higher risk client renewals. I suspect that this situation will further worsen into 2023 before it improves."

Martin Heywood, head of office for broker Bluedrop Services, says while there is a lot more rebroking work, he is not complaining. "It's what we're here for and clients are less likely to feel loyalty to an insurer if they have a higher renewal rate. We will assess the risk and claims experience and look at what we can do.

"Apart from the fact roads are a lot busier, there is also the cost of repairs and a shortage of technicians. We're seeing some insurers reluctant to take on certain types of electric cars because of costs. Fleet rates are going up and in terms of a solution, the best way forward is for brokers to focus on risk management, including driver training and installing devices such as cameras and telematics." ia

[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 £11bn 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.