

# Professional Broking

## SENTIMENT SURVEYS



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Insurances

Welcome to October's *Professional Broking* Sentiment Survey — the industry barometer tracking the issues facing brokers. Rates continue to rise in personal lines and the commercial market is still faltering, while home insurance premiums may begin to bite customers as a result of the July floods. Respondents have shown concern about service levels and insurer-owned distribution but are increasingly au fait with the regulatory regime.



An outstanding feature in this quarter's survey is the dichotomy of what respondents believe is happening with premium rates for personal lines compared to their views on prices in the commercial market. Almost 70% of respondents believe personal lines rates are hardening while an almost identical percentage believes prices will not harden or continue to soften in commercial classes (see figure one).

In personal lines it seems the move upwards in prices that began in 2006 has consolidated into a trend and the market is now seeing regular month-on-month increases in private car. It also seems that the recent storm and flood losses will impact on premiums in home insurance, though currently the major players seem to differ on what this might mean.

Although painful for customers, hardening rates are an economic necessity in personal lines and welcome evidence that underwriters are retaining a disciplined approach to pricing properly reflecting the risks they carry.

How this translates into commercial lines is another thing, especially as nearly 80% of respondents see their future growth in this area. The market is still going down fast and unless we see a correction soon casualties are likely. This concern is reflected in the survey; almost two thirds expect rates to soften further.

Regarding service we still see little change in the survey, as more brokers still think things are worsening compared to those seeing improvement. There are interesting results on the importance of efficient claims handling, with 84% thinking this a priority. Coupled to the 60% with concerns about off-shoring, a message emerges that some insurers need to consider carefully. The hot topic in this quarter's survey is distribution, more specifically the growing trend for insurers to invest in brokers. Insurer-owned distribution is "quite important or concerning" to 82% of respondents, which compares to only 65% that have similar concerns about "supermarkets selling insurance." As an ex-broker I would be concerned about retail organisations and banks using their brands and customer reach to take business out of the broking arena completely.

One could argue that the growing numbers of insurers with a broker stake are doing the complete opposite and investing heavily in the future of the channel. Maybe this is more about the stresses of supply and demand because, according to the survey, 30% of respondents apparently plan to acquire another broker!

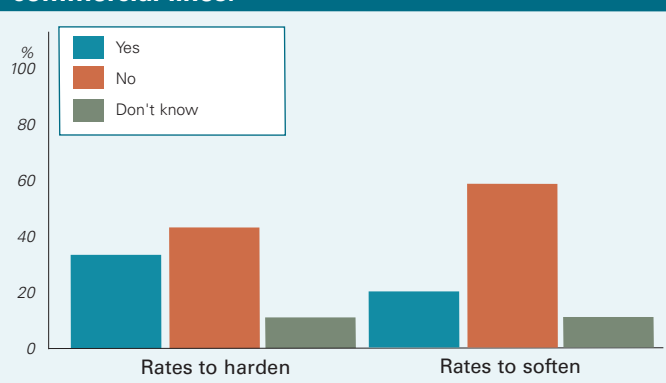
There is further good news for imarket, with 50% of brokers now using it and nearly 40% having seen at least some increase in their dealings via the portal (see figure three).

Finally, there is better news for the regulator with over 50% of the brokers stating they are acclimatising to the regime and reporting the process is now taking "less time". However, the majority thinks regulation is still too costly and complex and unlikely to improve the market's reputation significantly. ■

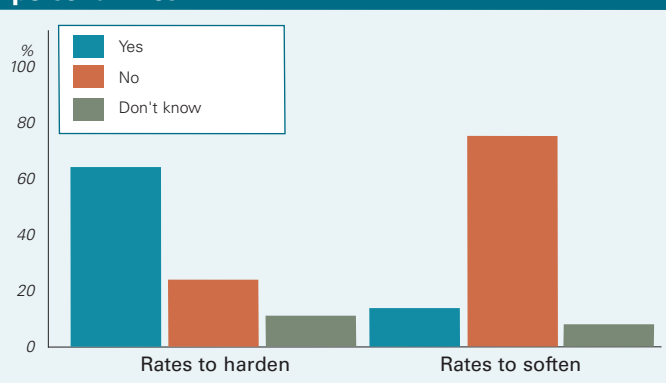
Cathie Bruce

Distribution and customer services director,  
Groupama Insurances

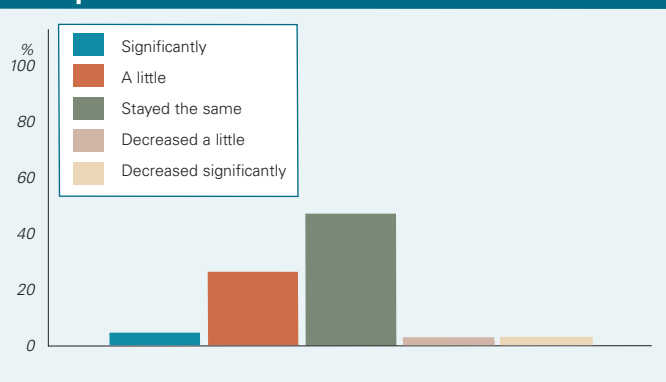
**Figure 1: In the next three months do you expect commercial lines:**



**Figure 2: In the next three months do you expect personal lines:**



**Figure 3: Has your use of imarket changed in the last quarter?**



Fortis was beaten into second place by Norwich Union this quarter for the coveted title of insurer that offers the best service for brokers. The rest of the top five featured the familiar names of NIG, Zurich and Allianz, with Hiscox just missing out on the number five position following its intensive marketing campaigns. Many of these opinions may well have been formed as a direct result of the service offerings following the floods this summer.

John Kitson, intermediary director at Norwich Union, was delighted by the news after what has been a challenging period for the insurer. "The news over the last three months hasn't been the greatest with the floods, the rates being pushed up, the soft market and so on, so this gives us an enormous confidence boost, it's a great fillip," he told *PB*. He continued: "Having brokers provide feedback like this and saying that we offer the best service is the greatest thing that could happen to us as far as I'm concerned as it means they're choosing us because of our service and not just because we're one of the big [insurers]."

Kitson said that he hoped this feat would not be a one-off and that it would continue into

the next quarter, adding that Norwich Union's strategy would be to support a thriving broker market.

### Most wanted

Brokers cited efficient claims management as the most important aspect for insurers to get right. Access to underwriters was also high up on the most-wanted attributes list, along with the speed of the service. The main issues causing brokers concern in this area include slow response times, slow renewal practices and the increasing number of insurers off-shoring their businesses, particularly given that a number of brokers believed their insurers were understaffed currently. Worryingly, 34% believed that the level of service offered by insurers was deteriorating, though 50% believed it had stayed about the same.

Business growth was once again expected to be commercial lines-led by the majority of brokers, though it was interesting to note that financial services were thought to bring the biggest increases by 8% of respondents. In addition, 38% expected rates to harden in commercial lines over the next three months, compared to just 24% that

thought it would soften. The majority of respondents believed rates would stay where they are over the next quarter, which at least shows that brokers don't believe the situation can get much worse.

The Sentiment Survey also showed that the burning issue on the minds of the majority of brokers was Financial Services Authority regulation, with 60% of stating that it was "very important or concerning" and another 40% stating that it was "quite important or concerning". Recruitment and staff retention were also deemed to be essential along with managing clients' expectations, which was declared "very important or concerning" by 54% of the respondents (see figure six).

Increased usage of imarket was also apparent this quarter, with half of the brokers questioned stating they now use it. Of those, 30% increased their use slightly and a further 8% declared a significant increase. Just 12% reported lower levels of use over the past three months.

After a summer of acquisitions you'd be forgiven for assuming many of the brokers questioned would expect to be acquired or have plans to buy a broker themselves, but once again the Sentiment Survey showed a surprisingly low number of

Figure 4: In terms of service, what are your priorities from insurers?

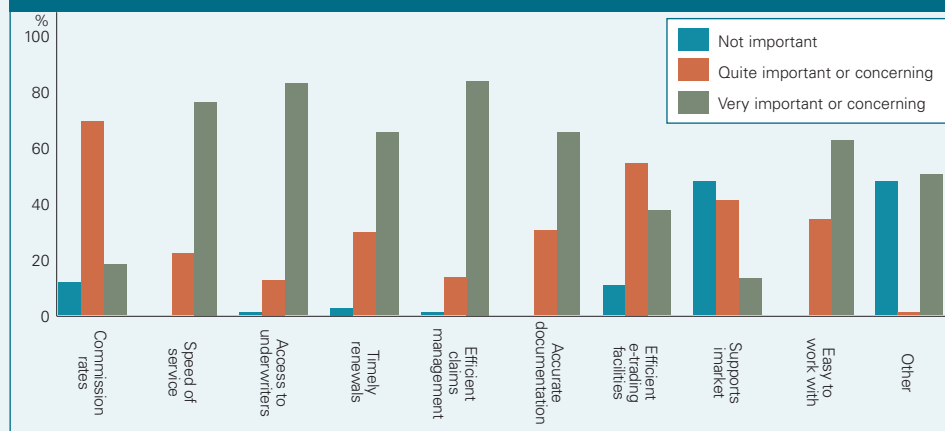


Figure 5: In which lines of business do you expect to see growth?

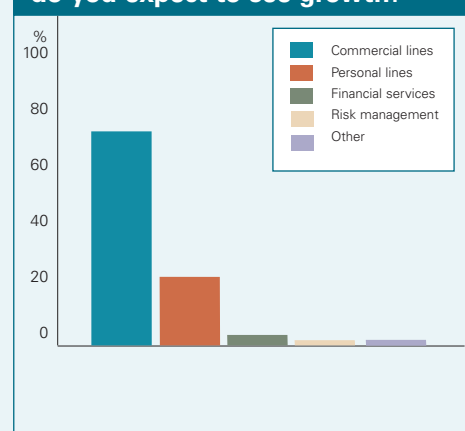
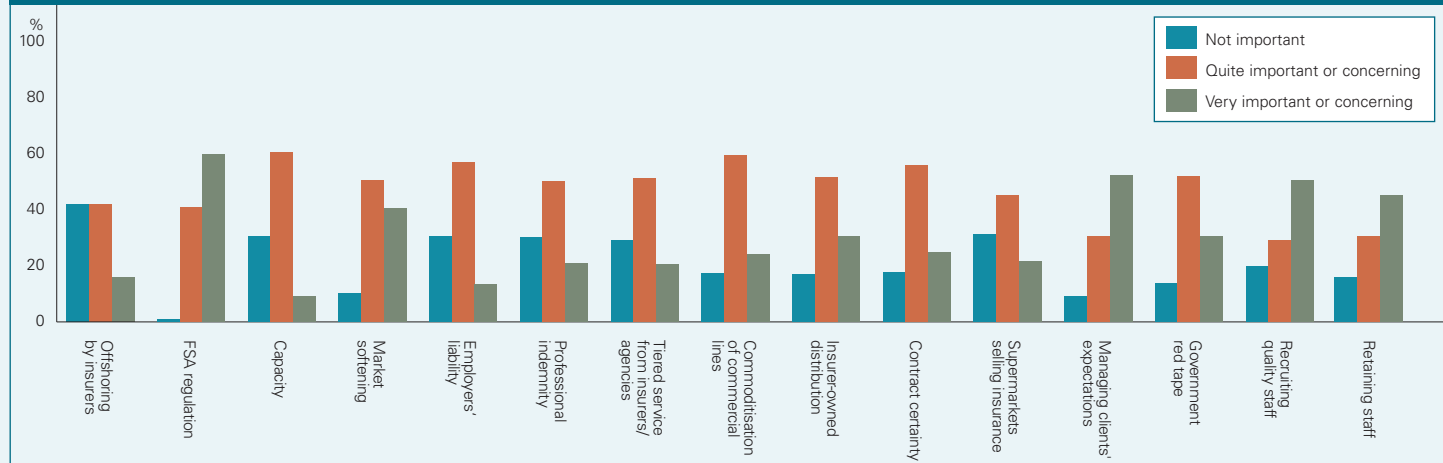
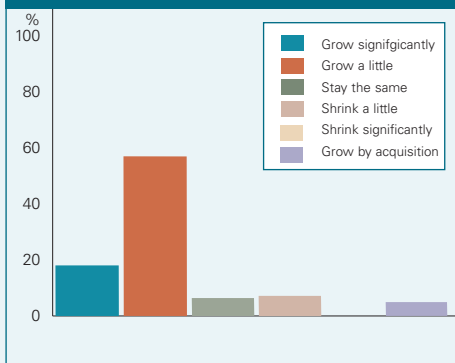


Figure 6: Rate the following in terms of importance to your business:



**Figure 7: In the next six months do you expect your business to:**



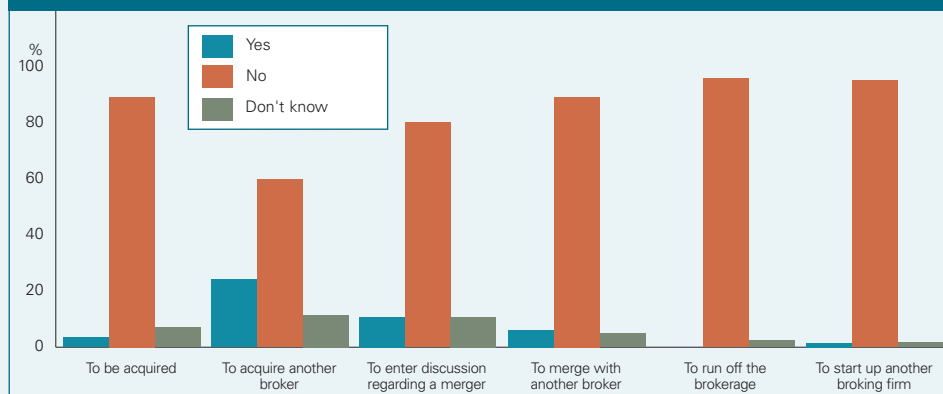
respondents that believed they would be acquired within the next three months. A very small minority of the brokers said they expected to be acquired, with just over 5% saying that they would be merging this quarter. Of those considering acquiring a broker themselves, 29% believed it would happen in the next three months despite 91% of the brokers questioned stating that they would not be acquired in this period (see figure eight).

### Regulation, regulation, regulation

Once again, the question of FSA regulation has captivated the interest of respondents. Since the regulations were brought in, 99% said their workload had increased, with 92% adding that it had also increased their costs. Over three-quarters complained that the regulation on general insurance had hit profits and 46% said it had even inhibited employees' performances (see figure 10). While the introduction was believed by most to have neither increased nor decreased business volume, 67% said it had not improved the market's reputation or improved customer satisfaction (see figure nine).

When asked what issues the FSA still had not dealt with effectively, the ongoing issue of commission disclosure was one of the most popular concerns along with the enormous amounts of

**Figure 8: In the next quarter do you expect:**



paperwork that, in the main, does not benefit or interest the client. There was a positive note for the FSA as the majority of respondents noted that the time spent dealing with the new regulations and related issues was now taking "less time than it did originally", with 32% of brokers even suggesting that the regulations would improve the market's reputation "eventually". However, a larger proportion suggested that this claim was "doubtful".

Despite the continuing soft market and increase in FSA regulation, 28% of brokers were "fairly optimistic" about the current market, with 46% hedging their bets for a further quarter and declaring themselves neutral (see figure seven). Only a small proportion of the brokers asked said they were feeling "very pessimistic" about the market currently, showing British brokers are not panicking and cashing their chips in just yet, despite recent hard times. ■

### Insurers offering best service

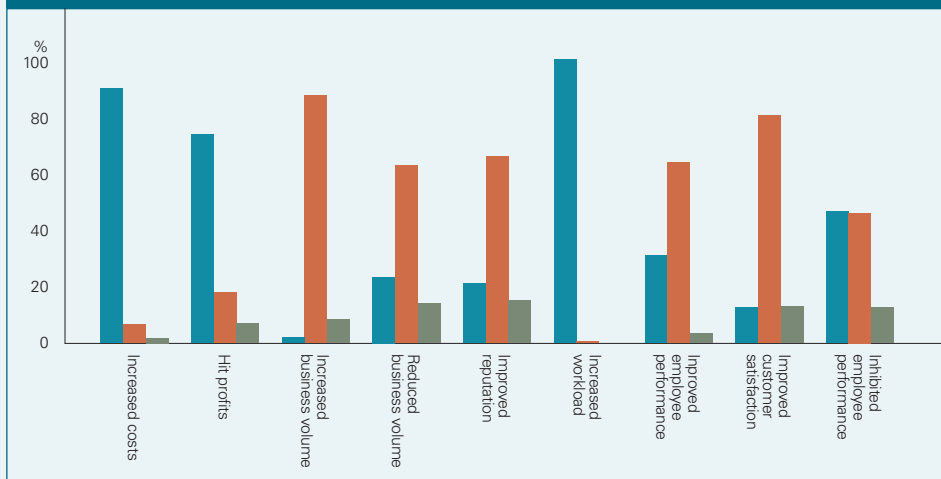
- 1st Norwich Union
- 2nd Fortis
- 3rd NIG
- 4th Zurich
- 5th Allianz

### Surveying service

- An insurer just about gets a process right and then changes it and spends the next 18 months trying to put it right again.
- Certain insurance companies have realised that a good service is required to keep the brokers going.
- Insurers we work with tend to be responsive and innovative.
- Offshore call centres remain a major problem and far too many insurers are downsizing their UK offices.
- Insurers seem to try new methods and be innovative to improve service but then reduce staffing so service worsens; the net result is the same service level.

The winner of the Sentiment Survey draw for October is Paula Hunter of Castle Insurance Services, Durham, who wins £100 of Marks and Spencer vouchers.

**Figure 9: The introduction of FSA regulation of general mediation has:**



**Figure 10: Has regulation and its related issues taken up:**

