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# MARKET MOVEMENT INDEX: BROKERS CUTTING AGENCIES TO FOCUS ON FEWER INSURERS

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# Market Movement Index: Brokers cutting agencies to focus on fewer insurers

Rachel Gordon - 16 Apr. 2024 | Indicative reading time: 8 minutes

Analysis from Broker Insights shows brokers are consolidating agency numbers and ending relationships with smaller, less useful, insurers.

**Rachel Gordon** breaks down the data.

Brokers are streamlining their insurer relationships and saying goodbye to those they place fewer policies with. This controls costs and channelling more business through a smaller number, can push up service levels and secure better wordings.

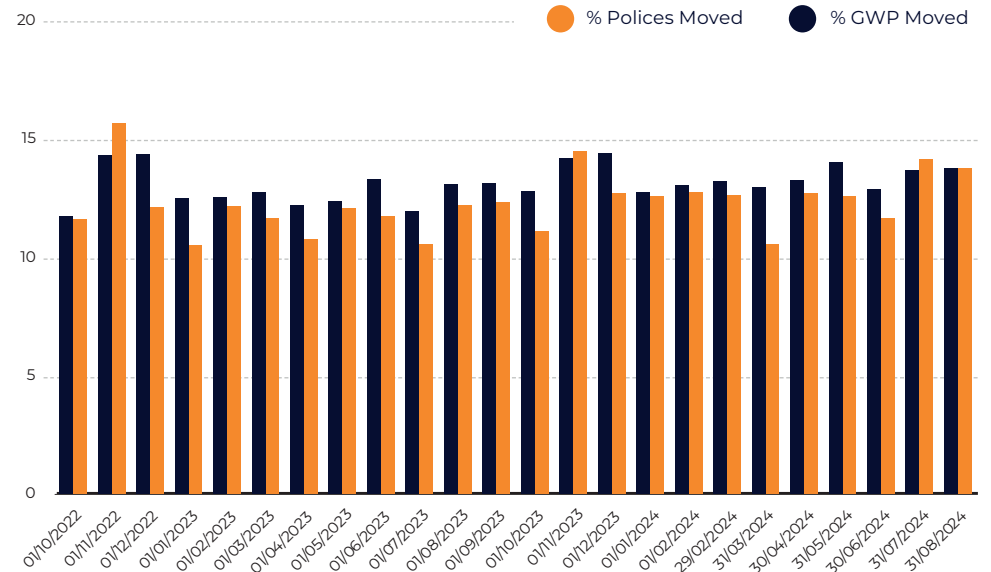
Agency consolidation is a key trend in the latest Broker Insights research, which analyses policy movement between markets.

## Reducing insurers

Eleanor Haig, data manager for Broker Insights Market Movement Index, commented: "We've seen a considerable rise in brokers consolidating agencies. At the same time, we're also seeing brokers moving policies more, particularly with lower premium ones, showing they work effectively with a reduced number of insurers."

## Monthly movement rates

The Q3 Market Movement Index takes an in-depth look at where brokers are placing risks and their provider preferences. In two sections, the first looks at the overall market and the second on broking activity.



Analysis is based on an expanded database containing £4.6bn (previously £2.1bn) in renewal premiums for commercial insurance and shows whether policies are being retained or moved, compared to the previous year. It looks at brokers selection of insurer by size (large, medium, small and micro) and covers renewals from October 2022 to September 2023 to those that took place for the same period in 2024.

## Property

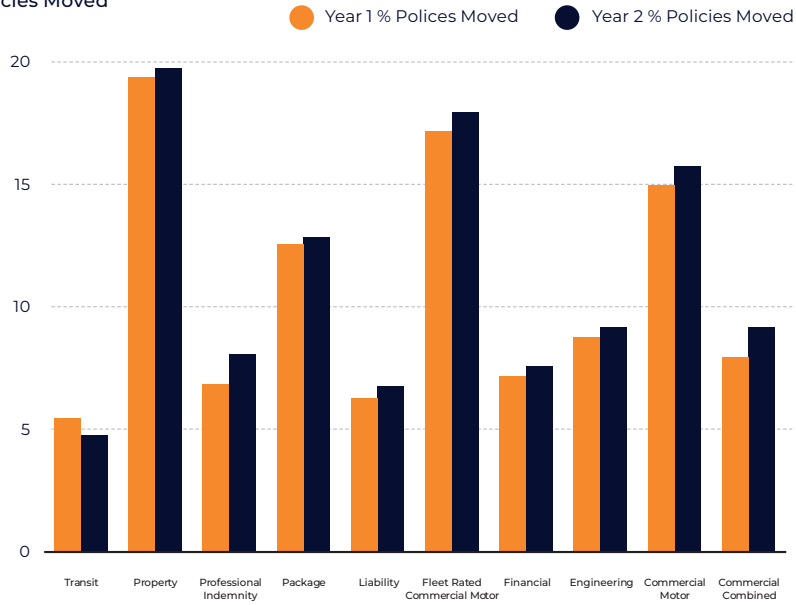
Looking at the overall market, property GWP increased from 13% in the previous data to 16% and suggests bigger premium cases are beginning to move at a higher rate than previously. Market softening may have influence here.

Meanwhile, there's strong activity at the lower end of the market across the motor sector, both in fleet and in the wider sector, such as haulage.

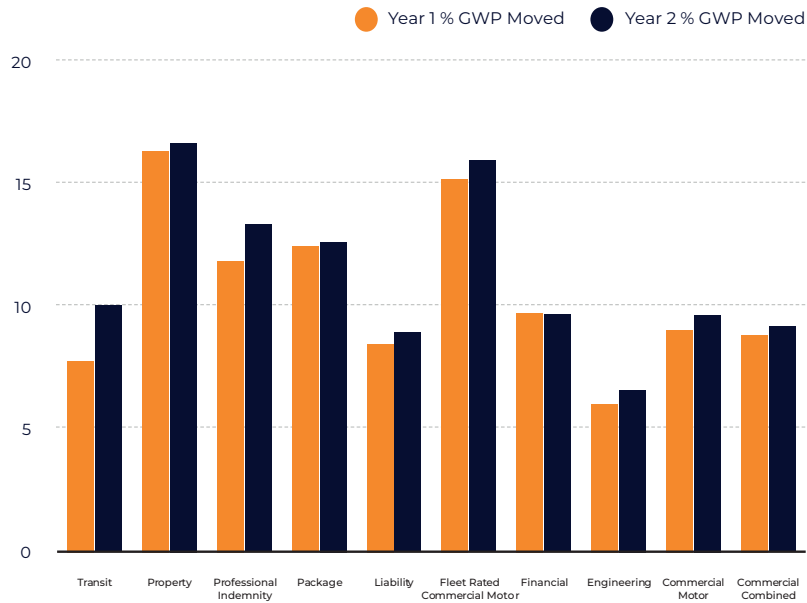
## Product movement

Haig noted there's also strong movement within the financial insurance sector at the higher end of premiums. "Financial incorporates classes such as management liability, which has grown by 15% and cyber by 30% year on year – this is significant and certainly with cyber, suggests this cover is now seen as mainstream."

% Policies Moved



% GWP Moved



Samantha Jenkins, head of cyber, tech & fintech for Simcox Brokers, agreed there's increasing take-up.

"We're seeing increased demand and a lot more dialogue with businesses year on year for cyber insurance in the UK, including SMEs."

She pointed out the UK government's security breaches survey for 2024, shows half of UK businesses reported some sort of cyber incident in the past 12 months.

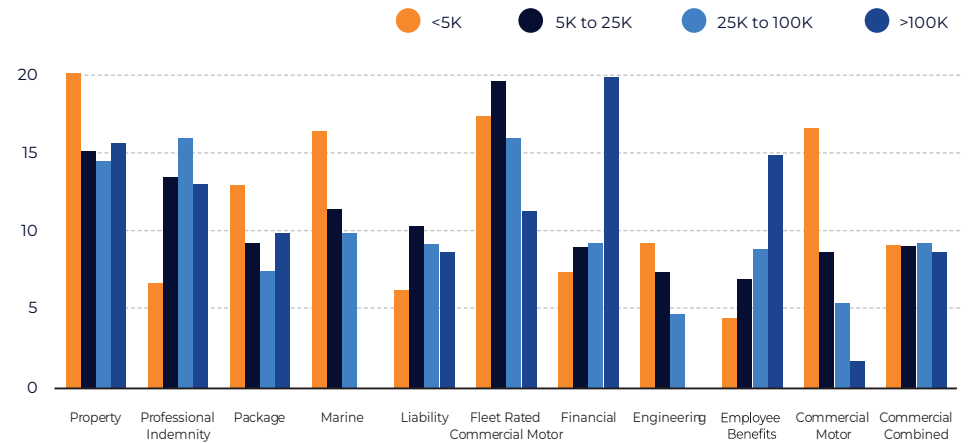
## Cyber

"The increasing awareness of digital vulnerabilities, especially for companies handling sensitive data or relying heavily on online operations, seems to be prompting more businesses to seek cover. Insurers are adapting by offering specialised cyber coverage, with some focusing on incident response services and others on prevention and some are increasing their cover limits for larger businesses."

Jamie Coyne, managing director of Fenchurch Insurance Brokers, added: "We're seeing an increase in the number of clients buying cyber – clients are increasingly aware of the threat to their business. We're placing significantly more business than five years ago – the increase is at least five fold or potentially even more."

Consolidation is an issue, and he says while Fenchurch can access the whole market, "we place the vast bulk of our cyber book with less than six insurers, which includes MGAs. We've carefully selected them based on their policy wordings and level of service our clients can expect in the event of an incident occurring."

## Product and premium



## Market consolidation

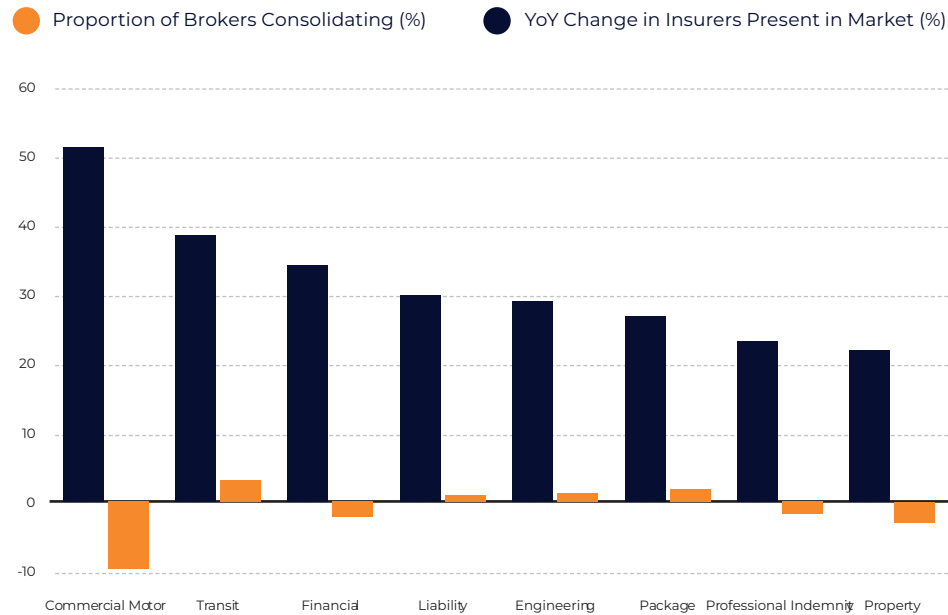
The research confirms brokers are consolidating their markets, particularly in commercial motor. This is by choice and also because of MGA exits.

According to Haig: “We measured whether brokers have decreased their markets by more than 5%. The proportion who have done this are represented in the slide, so for commercial motor, just over 50% of brokers have reduced the number of markets used by 5% or more.”

High levels of broking M&A is also a big factor, since merging often results in an agency shake-up. Paul Anscombe, CEO for Seventeen Group, said brokers consolidating is “a double-edged sword for insurers”.

He added: “On the one hand they have fewer brokers to manage and so can allocate resources effectively. It also creates efficiencies for both broker and insurer where there’s a close working relationship. On the other hand, consolidation usually results in the insurer paying higher commission rates on the same book of business.”

## Broker consolidation by product



Commercial motor saw the biggest reduction in the number of insurers. This may reflect that in 2023, the motor insurance market recorded major losses and subsequently, a number of MGAs reported capacity problems.

## Micro insurer drop-out

Haig said most movement is from micro insurers dropping out. “Comparing financial products to commercial motor, we can see almost twice as many markets left this sector as joined, while those leaving financial were largely balanced by new entrants.”

Volatility in fleet is nothing new. Kieron Burrows, head of insurance at Konsileo, said: “There’s always one composite writing more business and then pulling back, leaving room for another to seize an opportunity. We’ve seen four or five new MGAs launch in the last 12 months but no big departures.”

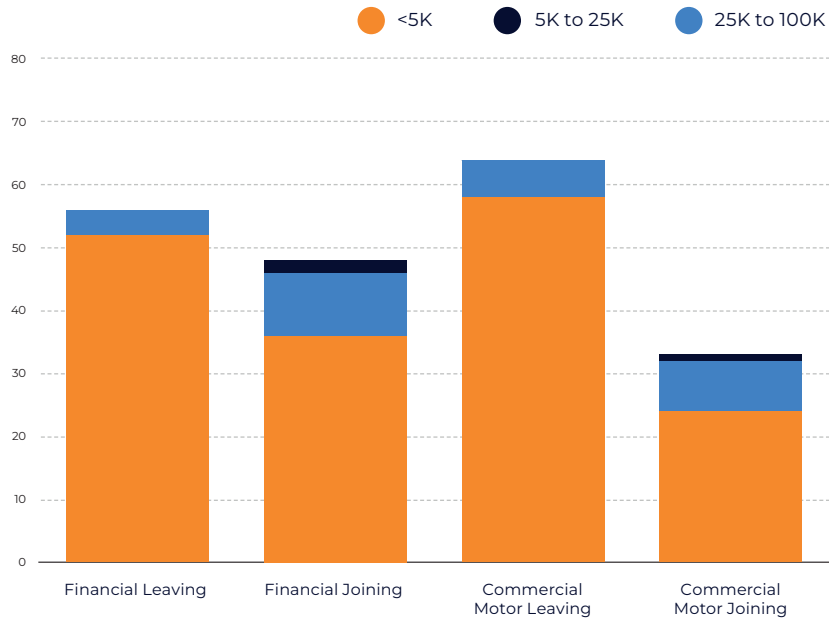
However he said the specialist commercial vehicle market – taxis and couriers – is another story. “There have been several departures such as Humn, and others who’ve pulled back from the smaller end of the market, or MGAs which have lost capacity. Others have prioritised direct sales for smaller clients such as single taxi drivers.”

He added: “Flock are a brilliant market and a breath of fresh air for courier or taxi fleets, but their appetite doesn’t really cover single vehicles.”

This is the big market challenge: “Not many firms offer bespoke wording or terms in exchange for volume deals in the motor market. Our own taxi book has grown in the last year, largely because of Konsileo client director, Richard Collins, our single taxi specialist, and is down to how he works.

“He’s available to clients outside of 9-5 and knows them really well – that’s won him the support of some specialist markets. He’s been able to help taxi drivers who weren’t able to find cover and in this market, the professionalism and tenacity of a broker really does still count.”

## Insurers leaving and joining



MGAs making swift exits creates market instability and may be why brokers are opting for larger more well-established insurers.

Broker Insights showed for products where the number of markets decreased across its dataset, 55% of brokers had consolidated their markets to some degree. Haig commented: "The reduction in markets is driven by micro insurers. This is largely due to several causes – broker consolidation away from these insurers, insurers withdrawing and micro insurers exiting."

## Vital role for MGAs

Micro tends to relate to MGAs, but as Anscombe said, they continue to have a vital role.

He explained: "Principally, the large composites, seek to maintain a wide broker base and pride themselves on supporting the smaller independent broker but others are focused on the global, national and specialist brokers and so run with a smaller panel. Both strategies can work, but the growth of MGAs has shown service levels and product offerings from major carriers is not always where it needs to be.

"The MGA model is here to stay and will grow. Inevitably there will be failures due to loss of capacity but we're seeing the evolvement of larger MGAs who can take on

insurers. The other attraction of MGAs is they offer equity structures for entrepreneurial underwriters who become frustrated in the corporate world and want to become part of something more dynamic with the opportunity to personally build capital value."

He said agency consolidation is to be expected. "All brokers are typically reducing their insurer panel, either through choice or necessity. Larger brokers are developing panels of preferred markets which can benefit both the broker and their clients through improved wordings, pricing and/or coverage.

"Smaller brokers are being culled by some insurers and this has opened up an opportunity for MGAs to flourish. Most MGAs will happily take on smaller books of business given they are leaner and have a lower cost base. Larger brokers will engage with MGAs as they are talking to senior specialist and accessible underwriters who can make quick decisions."

## Understanding

He advised brokers to be clear on an MGA's capacity and get some understanding of the length of relationship with their carrier: "Bad outcomes for clients might be to have cover with an unrated carrier or a poorly managed MGA where carriers change and renewal might not be available. Ultimately, we're in a true open market and it's the broker's duty to weigh up options and give best advice."

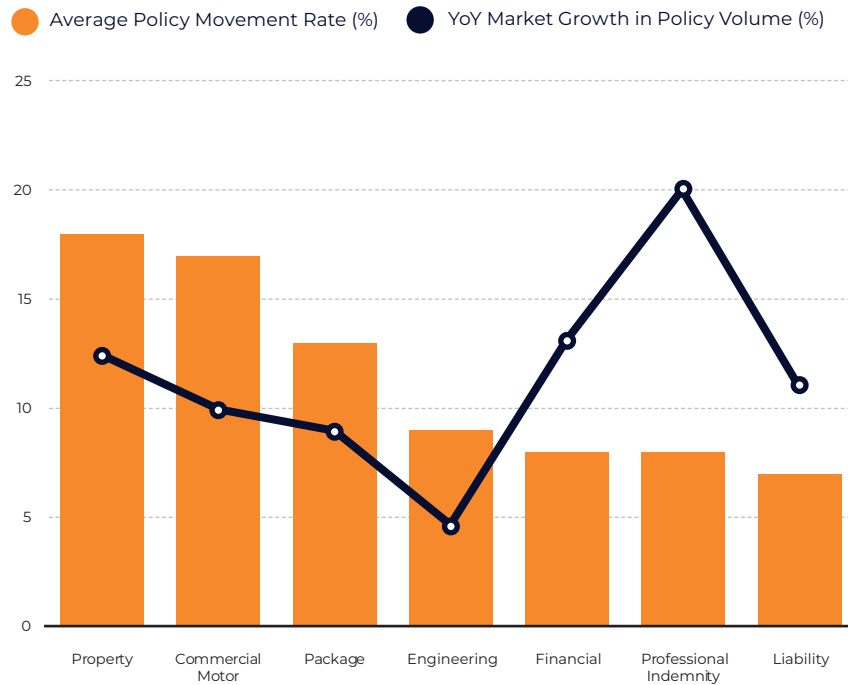
## Broker consolidation vs number of markets

	Average Churn Rate	Average of policies year-on-year change	Average of number of insurers	Average of Brokers consolidated %
1. Increase	8%	10%	159.3	39%
2. Neutral	8%	5%	129.3	34%
3. Decrease	10%	5%	99.9	55%

Source: *Broker Insights*

The research also showed the movement of existing policies is generally lower when the market is growing more strongly. According to Haig: "Our analysis suggests a strong correlation between brokers choosing to place new business with an insurer, and low movement rates of existing policies away from that insurer, suggesting positive broker sentiment."

## Market growth vs policy movement



Some continue to have many agencies as it provides the ability to place most risks. Matthew Brunton, broking director for AR network Momentum Broker Solutions, said: "It's essential we have a placement strategy to provide the required level of support. We implement bespoke facilities and enhanced wordings with our suppliers, so our AR partners can offer market leading solutions to their clients."

Momentum has over 300 agencies and this ensures choice for its ARs – they remain independent but membership allows this access.

Even so, Brunton added: "Like the broking world, it now seems the consolidation of MGAs is part and parcel of our marketplace. We've benefited from the activity, as our relationships with some of these MGAs has evolved into a more meaningful relationship and therefore competition still exists."

## Insufficient skin in the game

The research looked at the rate at which brokers move policies away from insurers when they have a low policy holding – defined as less than 5% of the broker's book. So, insufficient skin in the game?

It also showed a higher movement rate than the average across the broker's book – a 20% increase.

With commercial motor, the movement rate for policies on insurers holding less than 1% of that broker's book is more than 1.5 times the movement rate from insurers holding more than 5% of the broker's policies.

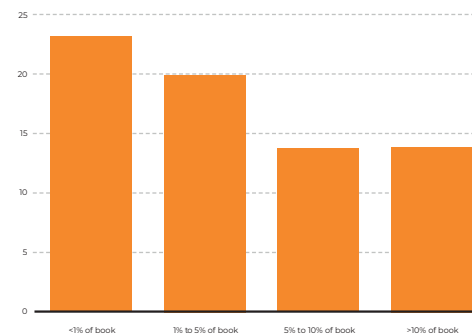
In financial insurance, more brokers are moving policies where there is only a small holding. However, the movement rate is lower than commercial motor, with insurer retention strong.

### Broker segment policy movement rate

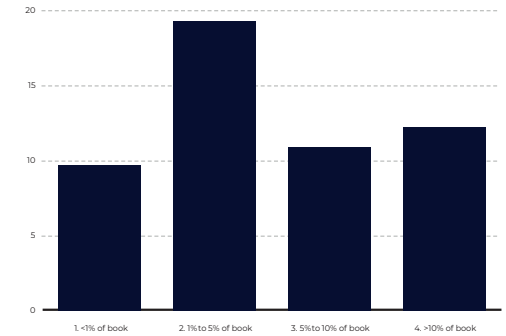
Jenkins said while agency consolidation in the cyber market does not appear to be happening across the board, this may change. "It may potentially begin to happen in cyber that some brokers start consolidating agencies. With cyber policy wording not being consistent and standardised across all insurers, some brokers may find they prefer to focus on fewer insurers."

Haig concluded: "Overall, brokers are taking a hard look at where they are placing business. If they are only using a market occasionally, there's still a cost with this and they may have other markets to use, so making reductions can be the right strategy."

#### Commercial Motor



#### Financial



## Methodology

The Broker Insights' Market Movement Index is based upon analysis of commercial insurance policy data covering renewals in the past three years: 2022, 2023 and 2024. The analysis includes all policy data within a typical broker's book of commercial business, comprising a 2024 dataset of £4.6bn. The analysis details the retention or movement of policies year-on-year between markets, along with analysis of movement rate. Movement of policies between markets has been analysed by market segment, premium and product.

The movement of policies between markets has been measured by comparing the data at 2024 renewal against the same customer's policy in 2023, and by comparing 2023 against 2022. Policies moving due to acquisition of one market by another have been excluded.



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