MARKET MOVEMENT INDEX: SHOULD I STAY OR SHOULD I GO?

16 May 2024

Market Movement Index: should I stay or should I go?

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

New research from analyst Broker Insights shows there is plenty of commercial policy movement – particularly in lower premium classes – which indicates strong competition and adequate capacity. But do brokers agree? **Rachel Gordon** reports.

There has been a steady increase in policy movement from early 2021 to the end of 2023 suggesting brokers are navigating their way through the hard market and that there has been recovery post pandemic.

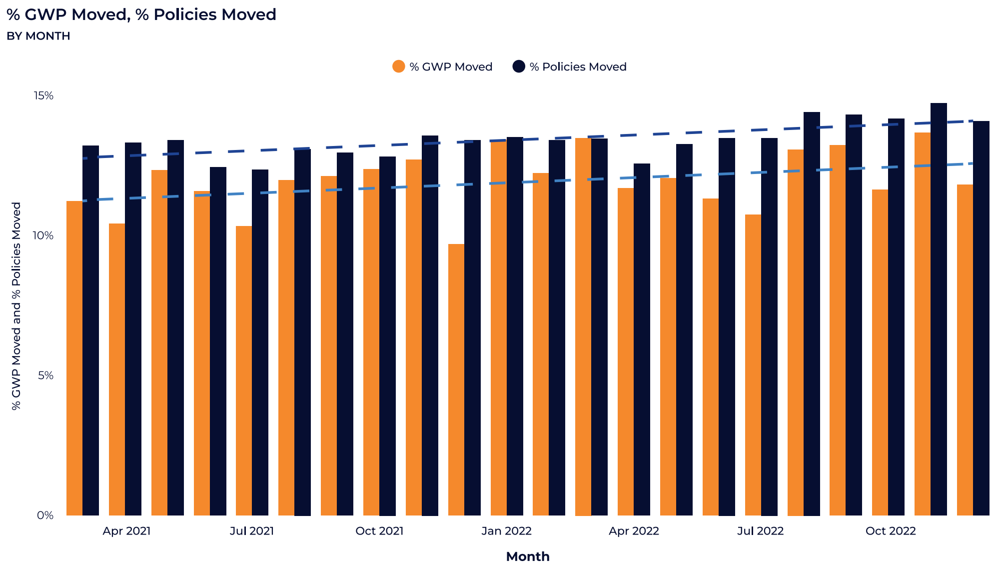
Analyst Broker Insights looked at policy retention over the three years, based on a typical broker's book of commercial business comprising a 2023 dataset of £2.1bn.

Broker Insights specialises in commercial insurance analysis for insurers, MGAs and brokers. Head of Data, Andy Whiteley, comments: "This research will be part of a series and this will set the scene. We also felt that focusing on retention and movement would prove particularly insightful and further work will focus in-depth on brokers and also insurers."

Monthly movement rates

As Whiteley explains: "There's gradual upward movement, but it's also interesting to note the effect of seasonality, which shows in months such as April and May which can be extremely active, sees the amount of policy movement reducing and retention increasing, suggesting that at quieter times of the year, there is more time for investigating alternative markets."

There may be time pressures with some classes such as professional indemnity, but guidance on whether to move to another insurer is part and parcel of the broker's role.



As Paul Anscombe, chief executive of Seventeen Group, says: "It's up to the broker to present to our clients a 'balanced scorecard' based on price,cover, service and length of relationship. A broker will also take into account where we are in the insurance pricing cycle – do we really want to move a client from a long established relationship to a new insurer on the eve of a hardening market for a marginal saving?

"For a broker to add true value, we seek to develop relationships with clients where they appreciate advice based on these various factors. Where relationships are less personal there is a danger price becomes too dominant in the selection process."

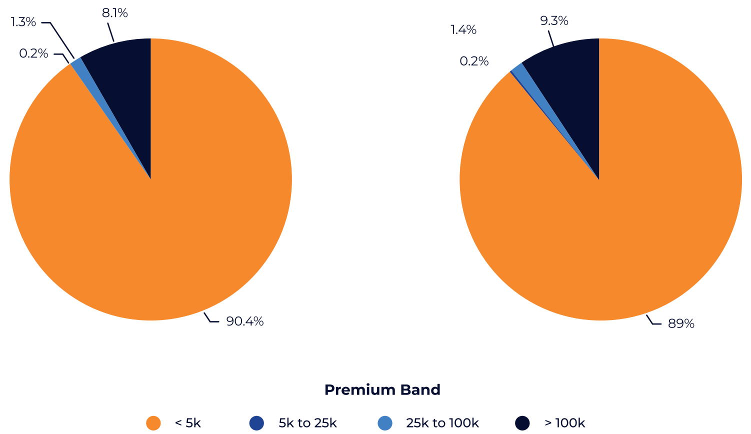
Premium band movement

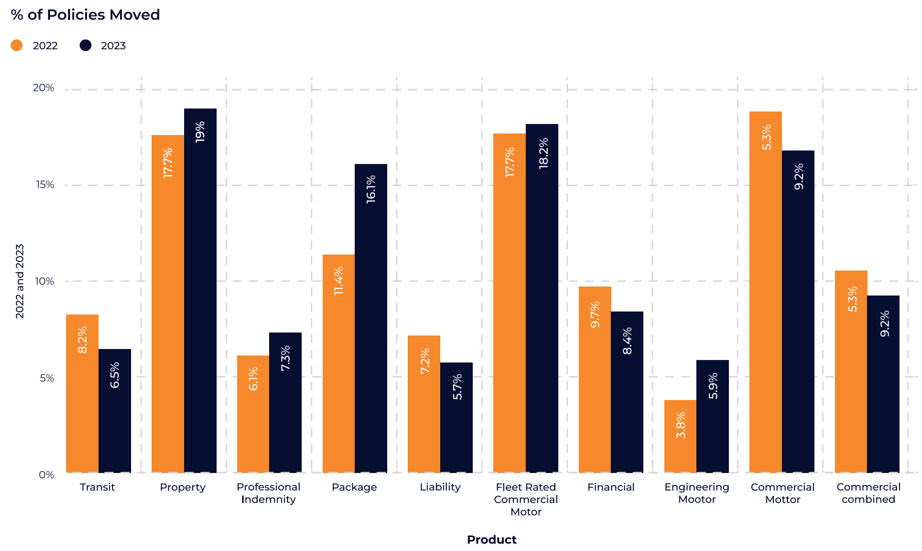
This chart is focused on premium band movement showing totals of policies that moved markets in 2022 and 2023 and the proportion belonging to each premium segment. It indicates the amount of moved policies is fairly consistent in each year and it is smaller policies, with premiums of up to £5,000, that move most - probably because this is more straightforward and with use of e-trading.

However, in 2023, there was a slight increase in policies moving that are in the next category, which is from £5,000 to £25,000. This might suggest that brokers are seeking alternative markets because of the ongoing hard market for these policies.

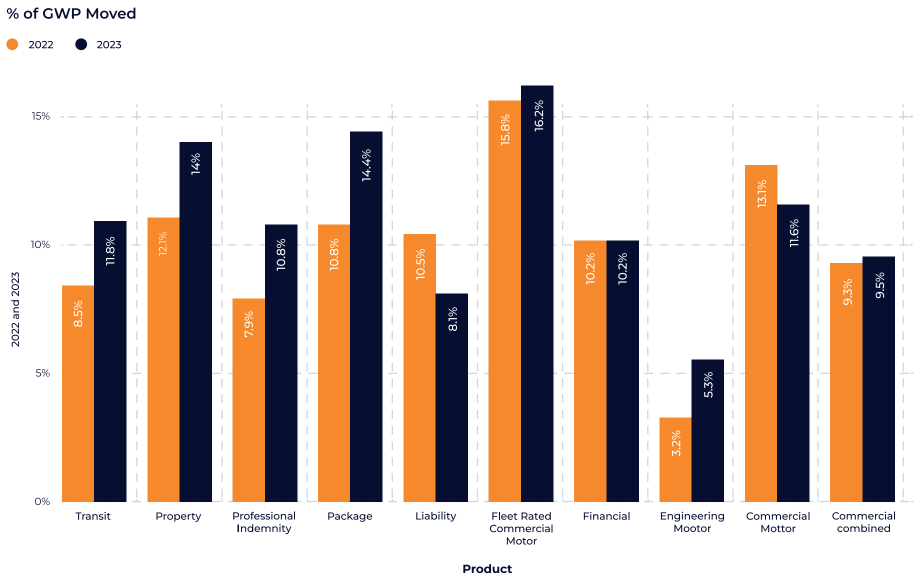
Proportion of total moved policies in 2022

Proportion of total moved policies in 2023





Product movement



Product and premium

These charts show what proportion of the total GWP and policies in each product moved from one market to another at 2022 renewal and 2023 renewal. Whiteley says it is notable "the percentage of property policies moving is higher in terms of number of policies than for percentage GWP."

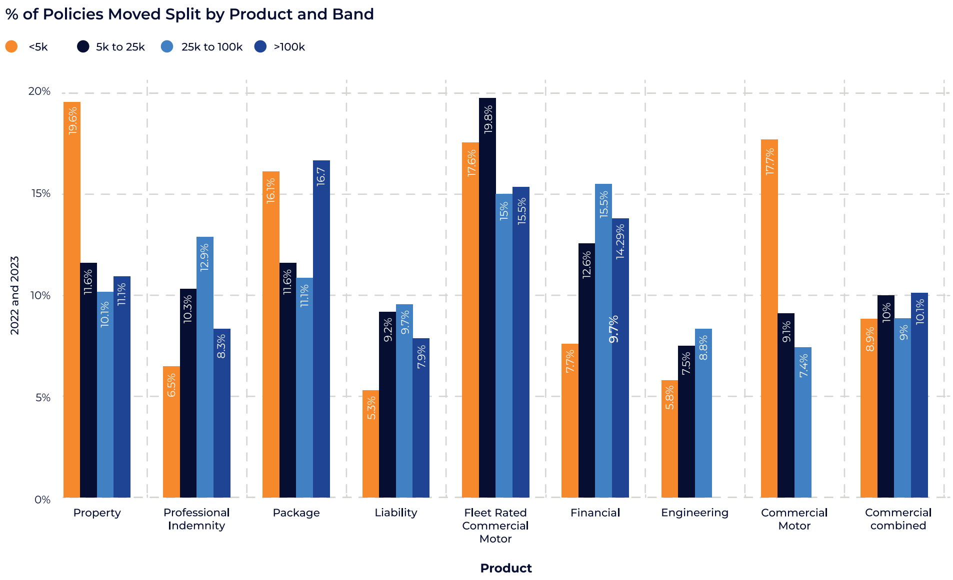
Other active sectors include packages – which is commoditised and also suited to e-trading and motor trade and commercial vehicles. During the pandemic, the fleet sector was in the doldrums due to limited vehicles on the road, however, it has since picked up considerably.

Even so, the chart shows drops in transit and commercial motor in terms of movement and Matthew Collins, managing director of Ascend Broking Group, says: "There's a vast amount of variation in the commercial motor market, ranging from risks where there will be insurer appetite, to distressed business which is harder to place.

"But overall, retention may be rising slightly because of reduced capacity. There have been some exits from the market and I would not be surprised to hear of more, as some markets are having capacity/profit issues at present."

Indeed, moving may not bring benefits and as Collins says: "Churn is not good for the market and the client can end up in a worse position. A broker should not be automatically moving business."

Whiteley adds the reverse is true of professional indemnity, which indicates higher premium policies are moving more than lower. In a more complex sector, such as PI and engineering, and particularly with a higher value premium, the broker may advise that the client remains with an existing provider. This could be the case if there is a good level of service and a fair premium.



The PI market does appear to be improving and as James Kear, account broker with PI specialists Apex Insurance, comments: "Whilst Insurers remain selective when it comes to solicitors' PI, the October renewals saw a more relaxed attitude. Displaying an appetite for growth with offers to engage on the right firms, something historically the market hasn't seen in a while.

"This is giving the client confidence during what is usually a stressful time of the month that their renewal offering holds value."

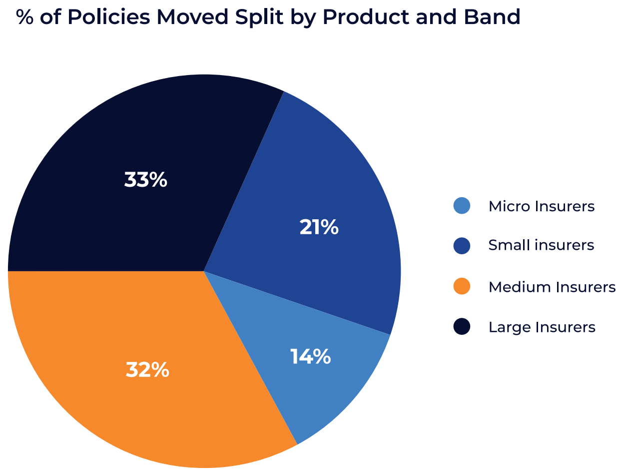
He adds that the market is softening and there is adequate choice.

Eddie Ferrão, director with Langton London Insurance Brokers, agrees staying loyal can be justified in certain cases. "If the cover, premium, and service provided by the current insurer meet or exceed the client's needs,it may be advisable to stay with them. Sometimes, the familiarity with the insurer's processes and the existing relationship can also contribute positively. However, it's crucial for brokers to regularly review the market to ensure clients are receiving the best possible options."

Further, Peter Smits, managing director of Ashbourne Insurance, is another proponent of staying loyal when the case is right. "If we've identified the 'right' insurer in the first instance then you would hope that remains the case for a few years rather than chopping and changing year after year.

"For certain risks insurers look for continuity of insurer for the previous three to five years and will reward that with their best premium. Even if our clients request that we complete a market review, we will always go back to the holding insurer to give them the opportunity to match the market, rather than just move the risk."

Market share 2023



Market segments are shown based on the insurer's share of GWP in the Broker Insights' dataset. The numbers show a market with ample choice,whether in terms of large composites, a wide range of MGAs and niche fintechs. Brokers will typically work with a relatively small number of insurers to control quality but potentially there are up to 1,000 providers to select from.

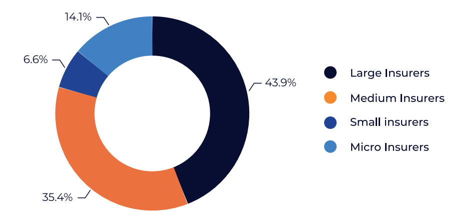
So, are brokers spoilt for choice?

Ferrão comments: "The influx of MGAs and fintechs into the market has undoubtedly expanded the range of choices available. While this can offer more tailored solutions for clients, it also presents challenges in ensuring the quality and stability of these newer providers.

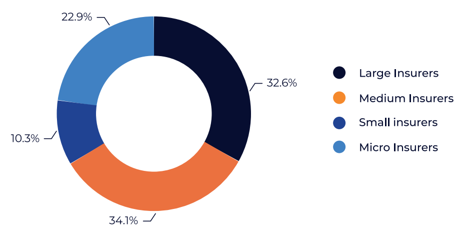
"Brokers must carefully assess the offerings of both established and emerging players to determine the best fit for their clients. While some smaller providers may offer competitive advantages, such as niche expertise or agility, there's always a risk of a drop in quality, which must be carefully weighed against potential benefits."

Market segment movement

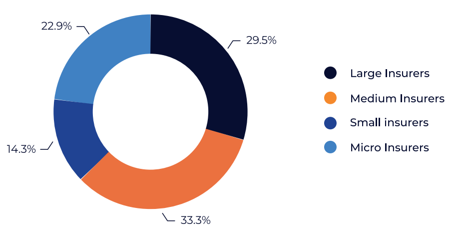
Destination of Policies Moved Away From Large Insurers



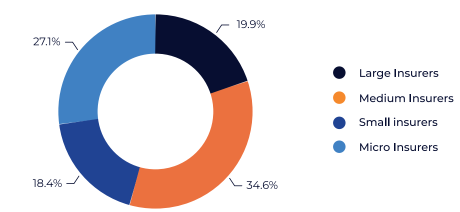
Destination of Policies Moved Away From Medium Insurers



Destination of Policies Moved Away From Small Insurers



Destination of Policies Moved Away From Micro Insurers



The charts show the destination of policies that have moved from large,medium, small and micro insurers.

Whiteley comments: "We can see that although there are relatively few large insurers, this is still the destination for many renewals, perhaps suggesting that there remains confidence in these insurers - as shown in the first chart, of the total policies which were on large insurers until 2023 renewal, 43.9% of the policies that moved at renewal went to other large insurers. There is also a great deal of strength in the medium size insurer sector where there is likely to be a degree of specialism.

The research also shows there is a place for the small providers as these tend to be specialist and where brokers need to find markets - where business is re-broked, it will typically move to another niche player rather than a large insurer.

Smits believes there is still a need for more capacity and "as a consequence this is extending the harder market period. Smaller MGAs can compete and post covid, I would say have a can-do approach to quoting risks, something that is becoming more of rarity amongst the composite insurers."

As for the composites, he says, "service levels, particularly claims and administration have suffered more with the composites than their MGA counterparts. There was a time when you could justify a premium for one of the big players as the service would be superior over the outsourced solutions provided by the MGAs, however this is becoming less and less apparent."

Even so, it must be remembered that the hardest to place risks will not be overflowing with providers - and a large number may not be the answer.

As Anscombe says:"We have too many markets overlapping in broad areas of risk. Compared to our international counterparts, UK brokers trade with a huge number of carriers.

"For James Hallam (part of Seventeen Group), our focus is on strategic insurer partners, the major carriers who play a vital long term role for our clients, and specialist insurers who fulfil the needs of individual specialist sectors. We constantly seek to reduce our agency base but we also need to be aware of new players or products which can meet the changing needs of our clients."

While policy movement may always benefit from a broad selection of insurers, brokers will also continue to argue that there is an argument for less is more and that retention can also bring advantages.

Methodology

The Broker Insights' Market Movement Index is based upon analysis of commercial insurance policy data covering renewals in the past three years: 2021, 2022 and 2023. The analysis includes all policy data within a typical broker's book of commercial business,comprising a 2023 dataset of £2.1bn. 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 2023 renewal against the same customer's policy in 2022, and by comparing 2022 against 2021. Policies moving due to acquisition of one market by another have been excluded.