The second quarter of 2023 sees fleet rates begin upward climb

The latest Acturis stats reveal that the previously stagnant fleet sector has turned a corner as insurers hike premiums to cope with claims inflation, reports **Rachel Gordon**

It's been a long time coming, but after three years of largely falling premiums, the fleet market is finally hardening. This is evident in the latest Acturis Commercial Broking Index for the second quarter of 2023. The figures show rates rose 4.1%, while the figure for the first quarter also showed a small rise of 1.3%.

These numbers are in contrast to the Covid-19-dominated years of 2020 and 2021, when fleet cover often reduced in price, for example by -4.2% in the third quarter of 2020. So, it now appears that fleet is no longer the anomaly in the broader commercial lines sector, where rates have risen relentlessly.

The Acturis Commercial Broking Index represents the average premium in a typical commercial book of business and covers six core classes: commercial combined, liability, fleet, packages, property owners and tradespeople.

The technology provider states the index has hit new heights, with the Q2 2023 value being 5.9% larger than Q2 2022.

Notably, all lines of business in the Acturis Commercial Broking Index are now contributing to rising premiums.

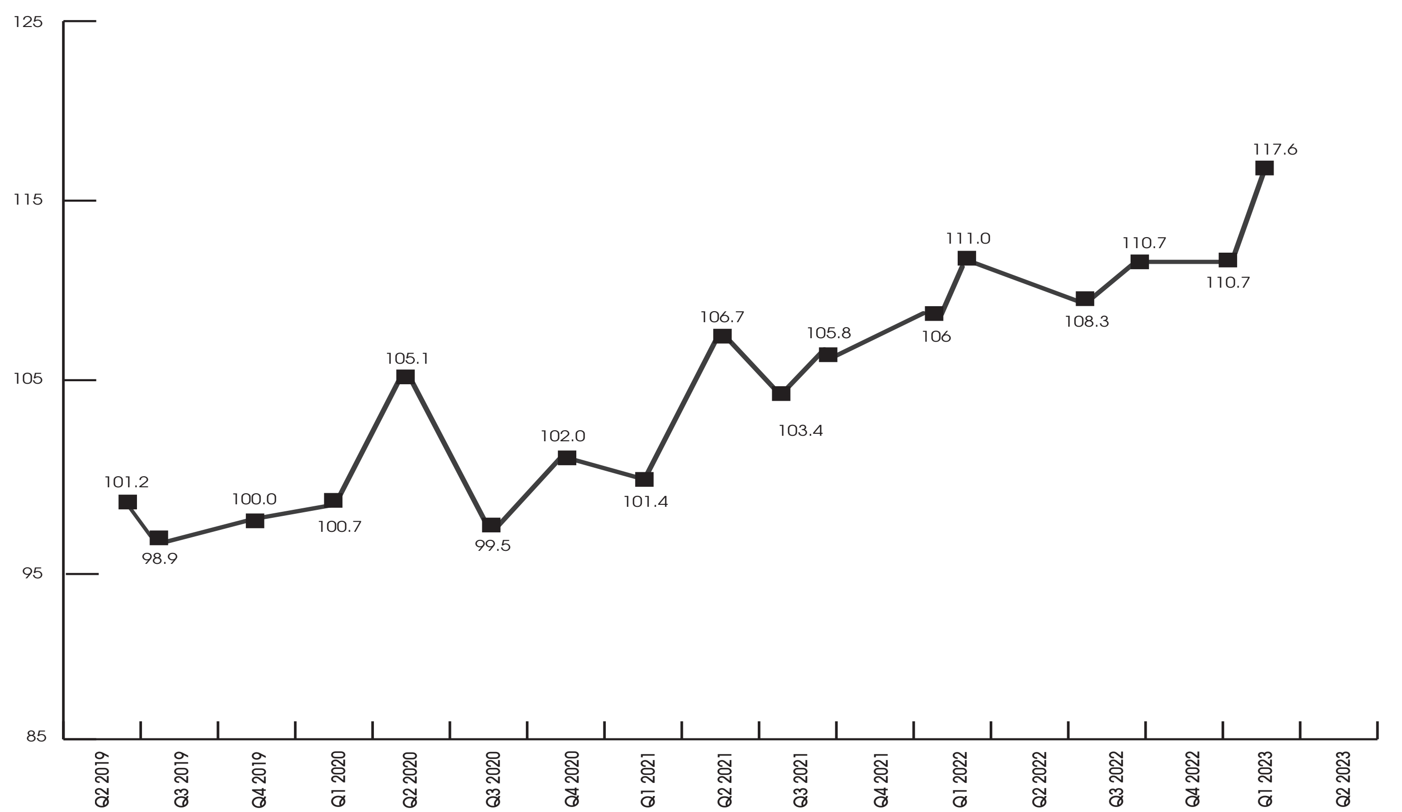
Elsewhere in the index, some of the biggest increases can be seen in property owners, which has jumped by 11.1%, following another big hike in Q1 of 6.1%. Tradespeople will also be feeling the pinch as rates went up by 5.8%, whereas the previous quarter saw a rise of 6.1%.

Commercial combined, which is the most heavily weighted class in the index, rose by 5.0% and the previous quarter by 5.4%.

As Acturis points out, there has been a period of two complete years where each quarter has seen a positive movement of nearly 5% or greater relative to the same quarter a year earlier.

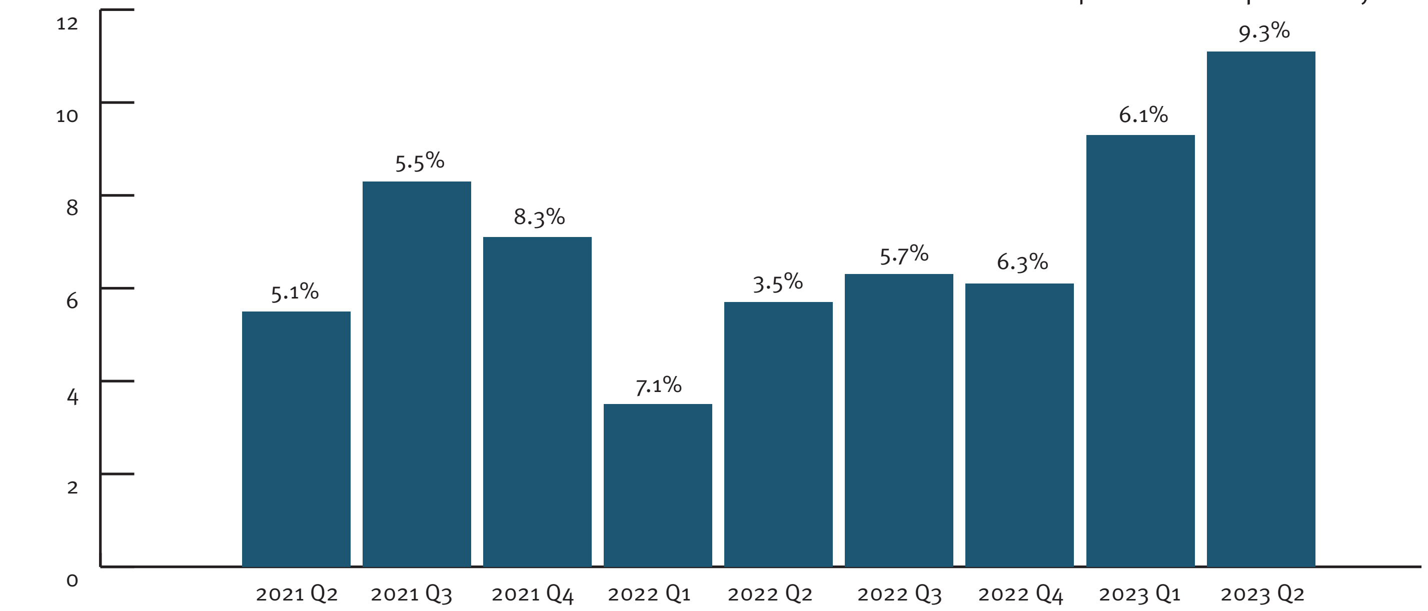
Customers who have renewed their policies twice since 2021 will now need to pay at least 10% more for their insurance in 2023.

The Acturis Commercial Broking Index (% growth in average premium)



Property owners

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



Why are fleet rates finally rising?

The reason for this is that there has been sustained inflationary pressure and, according to a spokesperson for Zurich Insurance: "Brexit has resulted in a shortage of available skilled labour and, as a result, vehicle repairs are taking longer, while labour costs have generally increased as demand has outstripped supply.

"In addition, the Covid-19 pandemic and the Russian invasion of Ukraine has caused a shortage of parts, which has also pushed up repair costs, and created a challenge in terms of lead times for replacement parts.

"These factors are also linked to a shortage of hire vehicles, which has led to a rise in credit hire charges.

"Robust risk management practices remain a key part of mitigating accidents and reducing the time that vehicles are off the road and needing repair."

Challenges for brokers

The rise in fleet rates will be unwelcome news for brokers and their clients, although expertise can ease the pain.

John Richardson is sales manager at Walmsleys Commercial Insurance Brokers and a specialist in fleet – the business also operates online business Fleetcover.co.uk.

Being in tune with insurer appetite matters, and Richardson says: "The major insurers will

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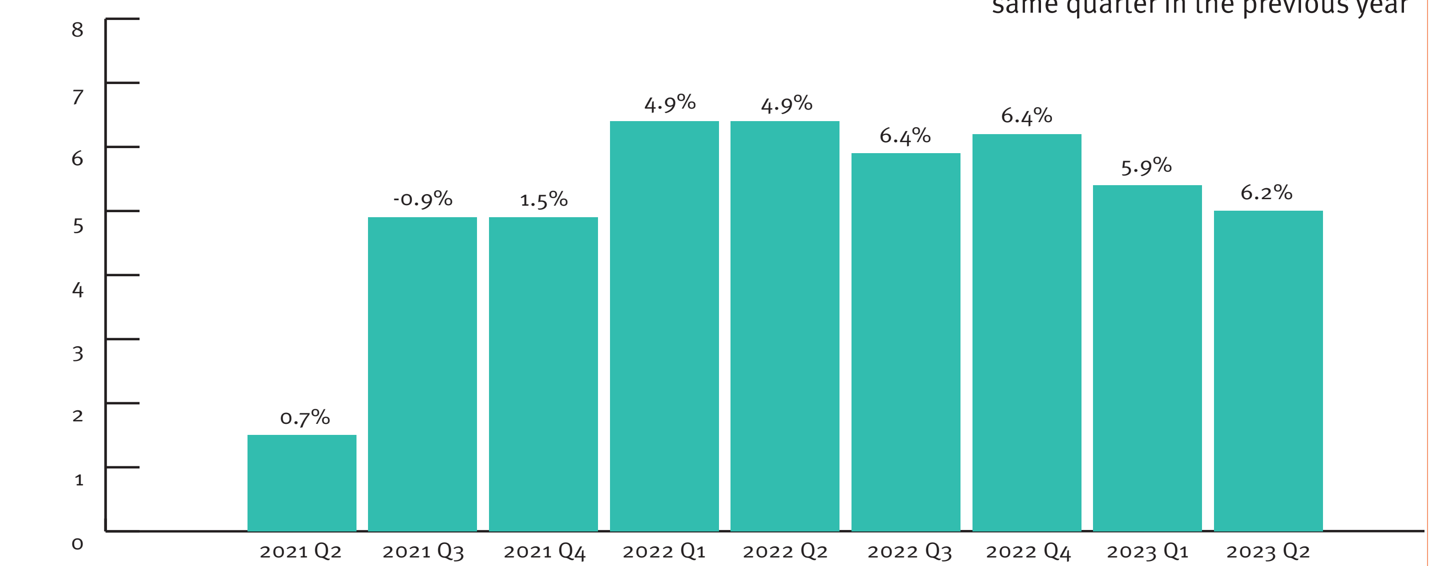
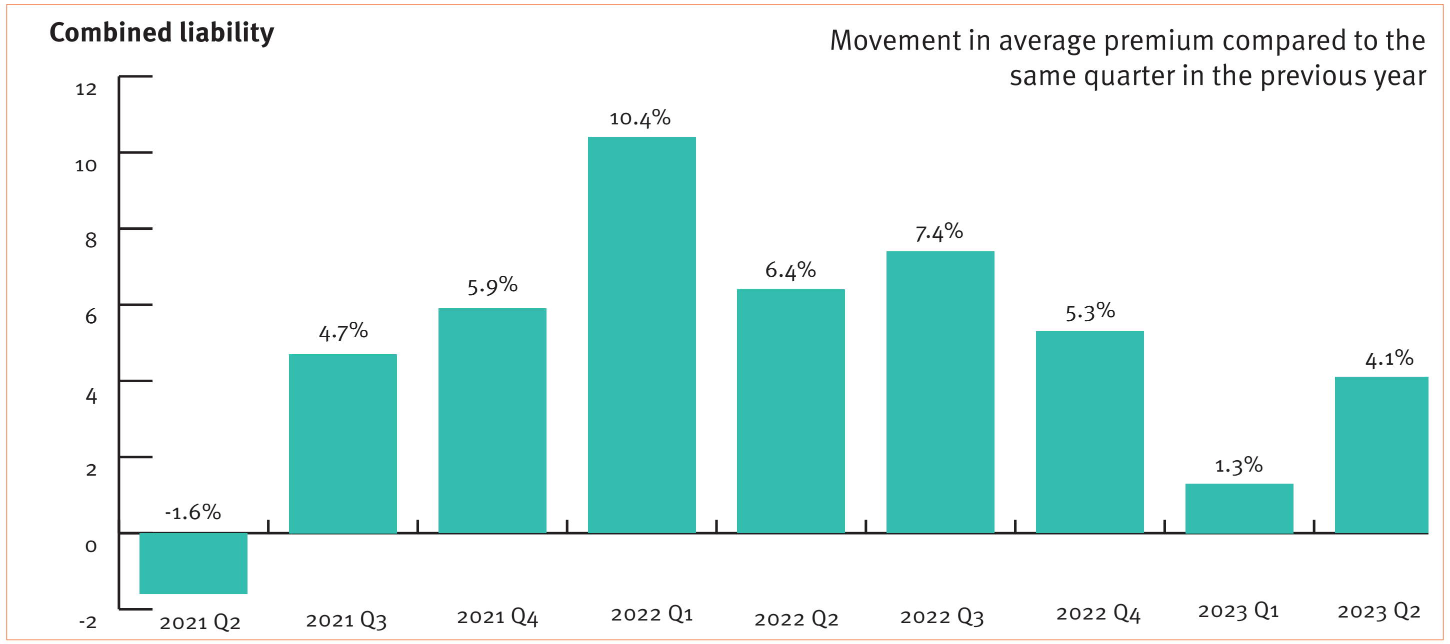
Commercial combined

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





have a fleet presence, but can have different approaches depending on the performance of their book. We're currently finding that Axa, for example, is keen to grow its fleet book, which is good news for our clients, but a couple of years ago, it was very selective in only taking on the most profitable accounts."

Clients may need educating about the claims performance, which should be a key issue alongside the rate. He says some newer and smaller insurers may have more stringent conditions, such as in the event of a claim, requiring dashcam footage to be supplied within 24 hours and if not, a third party excess is applied.

There is no doubt that repairs can be more costly, but are these always justified? Richardson notes that a growing number of insurers are preferring to use second-hand parts.

"Clearly there are environmental benefits to this approach, but they are also likely to be cheaper for the insurer," he explains.

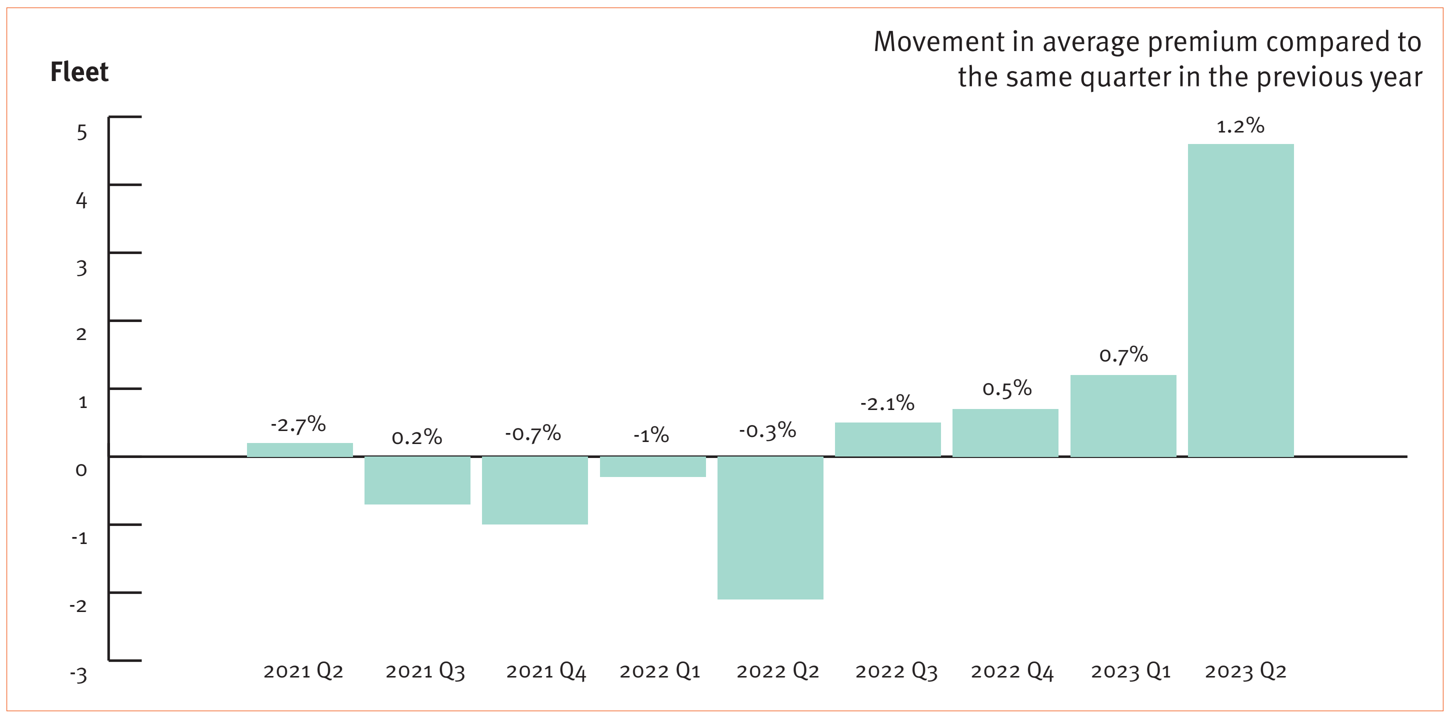
It is likely that all insurers will be seeing more claims, though, because of the rising number of vehicles now on the roads. As for premium hikes, these will not be going away anytime soon.

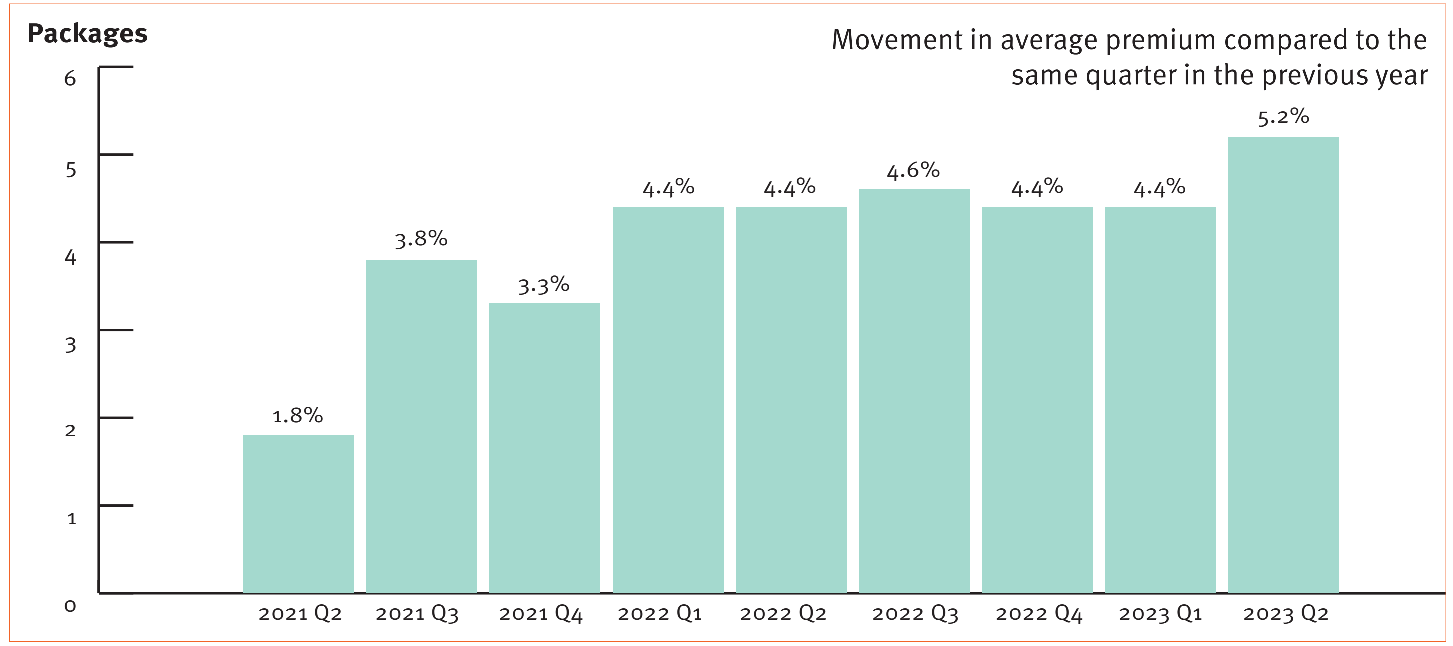
Client frustrations

As Richardson says: "The years of rates being flat are coming to an end, and some insurers have been trying to push through large premium increases. This can be frustrating if a client has had no claims for three years for example, and is then met with a renewal going up by 15%. We will go back to the insurer, as well as looking at other providers to bring that down, which is achievable. Even so, there will almost certainly be a rise this year – typically between 5% to 8%."

Robert Wright, client relationship director at broker Specialist Risk Group, agrees rate torpor is now over: "We are seeing well run and profitable fleets, and even some with no claims at all increasing 5-% to 10% due to claims inflation costs."

He adds that it is important that companies see the value of "implementing higher quality driver training and a more stringent recruitment process should mean drivers are of a higher quality and less susceptible to incidents, meaning there are fewer incidents and lower costs on claims."





Property woes continue

Meanwhile, fleet is far from being the only show in town when it comes to rising premiums. Tony Gibbs, director, commercial and technology, at Macbeth Insurance Brokers, says: "I have seen increases of up to 20% even on claim-free property risks.

"Commercial property owners are experiencing a double whammy with high levels of indexation and insurers correcting their books after years of a soft market.

"The rate rises are filtering through to a variety of classes of commercial businesses, from the smallest sole traders to large corporates. The small tradespeople might well be able to afford the percentage increases as base premiums remain relatively low, where [for] those businesses [that] are already paying thousands in premiums the effect may be much harder."

Even so, the real danger comes if some choose to cut back on cover or even fail to insure altogether.

As Gibbs notes: "There is still value in some packages aimed at small tradespeople. For example, one of my commercial clients was involved in an escape of water loss at a luxury apartment block.

A self-employed plumber incorrectly fitted a compression joint, and the resulting damage was more than£300,000. I suspect the plumber paid under £500 for his public liability cover."

Be prepared to negotiate

He adds that brokers can often achieve a reduction if they are prepared to negotiate, and says: "If it's clearly out of kilter, we do go back and can usually achieve a lower price. But we still need to get used to the harder market – it won't be going away anytime soon, although rates may settle down by the end of the year."

This is a sobering thought, and there is the additional issue of clients pressing for cheaper cover without fully understanding the consequences.

As Gibbs concludes: "We need to advise clients the best we can, and there are additional responsibilities under the FCA's Duty of Care.

"In a hard market, obtaining good cover is likely to cost more and there is also the claims service to be taken into consideration. Clients need to realise that paying less may store up future problems."

That you get what you pay for has never seemed so apposite.

[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.