

# Innovation and stagnation

THIS summer, Insurance 360 — the new industry insight unit established by Incisive Media, publisher of *Post*, *Professional Broking* and *Insurance Age* — conducted a massive study of commercial insurers' service to UK brokers and their clients.

We gathered confidential input from 630 bona fide broking professionals on the commercial insurers they used. Each graded their insurers on seven distinct aspects of service and added frank background comment (see methodology). In short, this is the largest, most comprehensive such study ever conducted, generating solid, reliable scores

Insurers make fine promises on service. But which ones are delivering — and how? Peter Joy set out to find the answers.

and rankings for the UK's 40 leading commercial insurers and managing general agents.

The answers are not just a curiosity or a matter of bragging rights for marketing directors. They hold hard implications. Recession and a hardening



## METHODOLOGY

Between 29 June and 17 August, 630 broker readers of *Professional Broking*, *Post* and *Insurance Age* completed an online questionnaire about the service they got from their commercial insurers. Respondents were instructed to grade their commercial lines insurers on the aspects of service of which they had direct personal knowledge.

Seven distinct aspects of service were listed: new business — efficiency in providing quotes; underwriters — professional capabilities; policy documentation — usability and timeliness; renewals process — efficiency and fairness; insurance cover — fitness for client needs; claims payment — efficiency and integrity; and developing their book — enterprise and active support.

For each 'excellent' grade, an insurer received four points; a 'very good' was worth three points; a 'fair', two; and a 'poor', one. When results were in, each insurer's points total was calculated for each aspect of service, then divided by the respondents contributing to it to get an average score (from the maximum four points) per respondent. This figure was then multiplied by 25 to produce a score out of 100. Using these percentage scores, a league table was compiled of the 40 most-used insurers and MGAs, for each of the seven distinct aspects of service listed above.

Some things matter more to brokers than others. The questionnaire, therefore, had a short section gauging the relative importance of these seven aspects of service. From that data, weightings were calculated: for new business (15%); for underwriters (16%); for documentation (12%); for renewals (14%); for cover (16%); for claims (17%); and for development support (10%) — for

a total of 100%. The overall performance table (published here) is based on these service weightings. The table thus shows insurers' performance in the context of brokers' true priorities.

Numbers, of course, only go so far. For each service area, brokers were invited to comment freely on their insurers' performance, adding muscle to the data. Simple background information, such as the respondent broker's region and the size of their firm, was also gathered.

Finally, each respondent was asked to name the best and worst insurer they had used in the past year, on overall product and service quality on any of eight distinct lines of commercial business they themselves placed. This gave an additional layer of insight. Based on numbers of positive and negative broker recommendations, we calculated for each commercial line one best insurer, one highly recommended insurer and anything from two to five recommended insurers. One or two 'raspberries' were also awarded for each line of business. These awards speak only as brokers found.

This was a heavyweight study. The 630 respondents — every one a bona fide commercial broker — contributed some 45 000 service grades and nearly 10 000 insurer service comments. The 529 that used Aviva, for instance, provided 2923 gradings and 603 comments on different aspects of its service.

Even Ansvr — the least-used insurer in the 40-strong table — received 354 ratings from 71 individual broking professionals. The average insurer in the 40-strong table had 230 respondents, providing around 1200 distinct service grades.

Can you trust these results? Yes — you can.

market are rewarding strengths and exposing weakness, releasing pent-up energies and dynamic new business models.

In a ruthlessly competitive market, the quality of service an insurer delivers to and through its brokers is a telling sign of its morale, management skill, human capital, client awareness, strategic coherence — and future viability.

## Top of the form

Top of the overall chart, with a score of 82%, was Evergreen, a Munich Re-owned MGA. Brokers rated Evergreen among the top four insurers on every aspect of service and ranked it first on new business, policy documentation and claims payment. Broker comment on Evergreen's service was 112:1 positive. "Evergreen seems to recruit and train decision-makers and traders," said an account executive from a small East Midlands firm. "You can have an upfront conversation with them. They have the authority to make a decision without the need for things to be constantly referred." Brokers also ranked Evergreen best insurer for commercial property and commercial combined.

A relatively fresh player, unburdened by old systems or attitudes, Evergreen seems to have brewed a winning formula for

brokers: a strong, motivated team of underwriters; a clear focus on small to medium-sized enterprises and property risks; cutting-edge documents; class-leading covers; matter-of-fact claims handling; near-frictionless business processes; and a thoroughly entrepreneurial character.

Six other insurers also showed outstanding service. In second place, with 79%, was Leeds-headquartered marine, aviation and transport specialist Northern Marine Underwriters. NMU scored well across the board and the calibre of its underwriters was a particular strength — brokers rated them the best in the industry. NMU was also ranked best insurer for marine, aviation and transport lines.

Close behind came Chubb. Brokers reported superlative commercial cover, red carpet claims handling and underwriters of encyclopaedic knowledge and striking common sense. Broker comment on Chubb added up 195:15 positive, with only occasional documentation-related snafus creating any friction. Chubb was highly recommended in financial and professional lines, and commercial combined.

Fourth, with 78% overall, was Eastbourne-based non-profit sector specialist Ansvr. Brokers ranked it top for cover and

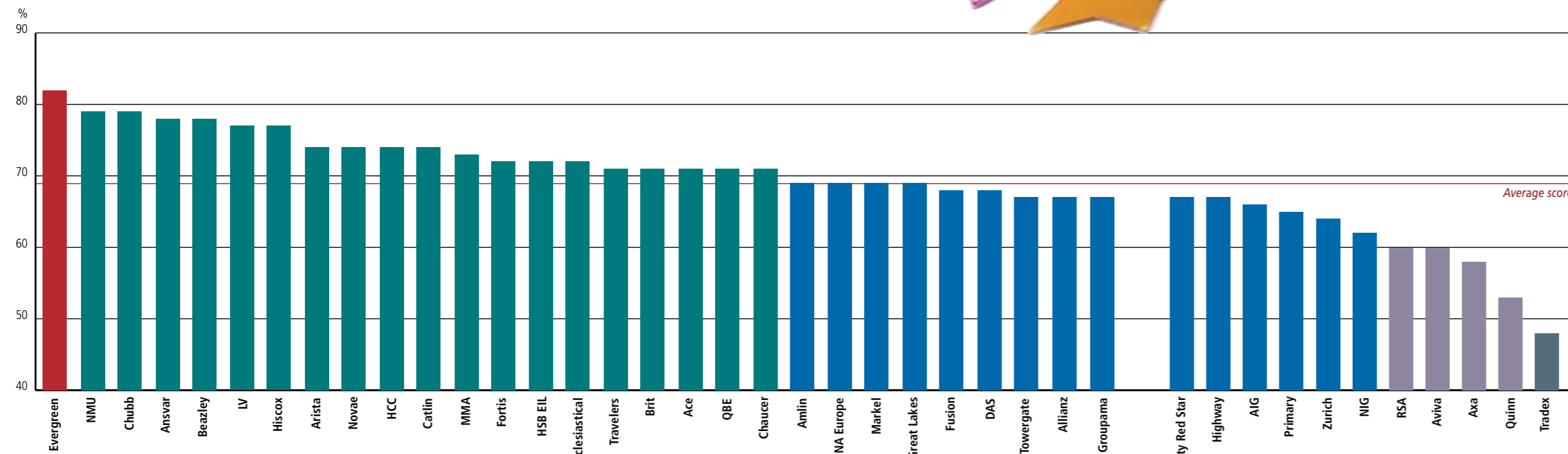
renewals, and third for claims payment. With a manageable size and tight sector focus, Ansvr showed excellent administrative cohesion and a product range perfectly adapted to its clients' practical needs. "They take time to grow personal relationships while maintaining professional integrity," said one West Midlands account executive.

In fifth place was the "extremely quick and competitive" Beazley, whose 104 broker respondents gave it strong marks in every area and highlighted quick, competent underwriters, slick documentation, workmanlike renewals, attractive cover, decent claims handling and a broker-friendly attitude. Beazley was highly recommended in MAT.

Sixth, with 77%, was SME-specialist LV, the commercial broker-facing arm of mutually-owned Liverpool Victoria Group. LV handled new business, policy documentation, renewals and claims efficiently, and with 10 regional offices enjoying considerable autonomy, it scored even better for broker development support. "They show great interest in developing our account, with regular communication and visits," said a Scottish respondent. "Once a risk is targeted as 'one for them', they support us and try to quote the premium needed to win the business." LV ranked best insurer for small package risks, too.

Hiscox — also with 77% — came seventh. Hiscox's 249 brokers reported high-quality, client-minded underwriters; enlightened product design; >16

OVERALL PERFORMANCE — 40 MOST-USED COMMERCIAL INSURERS



Placing	Insurer	Score	No. of brokers reporting
1	Evergreen	82%	148
2	NMU	79%	161
3	Chubb	79%	222
4	Ansvr	78%	71
5	Beazley	78%	104
6	LV	77%	132
7	Hiscox	77%	249
8	Arista	74%	121
9	Novae	74%	131
10	HCC	74%	174

Placing	Insurer	Score	No. of brokers reporting
11	Catlin	74%	137
12	MMA	73%	215
13	Fortis	72%	267
14	HSB EIL	72%	241
15	Ecclesiastical	72%	269
16	Travelers	71%	214
17	Brit	71%	232
18	Ace	71%	275
19	QBE	71%	276
20	Chaucer	71%	143

Placing	Insurer	Score	No. of brokers reporting
21	Amlin	69%	146
22	CNA Europe	69%	148
23	Markel	69%	224
24	Great Lakes	69%	79
25	Fusion	68%	160
26	DAS	68%	175
27	Towergate	67%	232
28	Allianz	67%	499
29	Groupama	67%	251
30	Equity Red Star	67%	199

Placing	Insurer	Score	No. of brokers reporting
31	Highway	67%	118
32	AIG	66%	395
33	Primary	65%	175
34	Zurich	64%	429
35	NIG	62%	397
36	RSA	60%	487
37	Aviva	60%	529
38	Axa	58%	514
39	Quinn	53%	124
40	Tradex	48%	193

## BIOGRAPHY

Peter Joy has written, researched and consulted on business and professional services topics for 16 years. He has conducted primary research studies in the UK general insurance sector since 2006 and now heads *Insurance 360*, an Incisive Media strategic insight unit. peter.joy@incisivemedia.com



modern documentation; a well-oiled and rational renewals process; fair, fast claims payment; and, with comment totalling 160:10 positive, only very occasional gremlins. Brokers in all regions found Hiscox a class act. "They want to provide the right cover for each individual risk, rather than just grab opportunities for premium," said one respondent. Yet Hiscox was eager for business and able to work effectively with brokers to land it. Brokers ranked Hiscox best insurer for financial and professional risks.

**Better than most**

After the leading seven followed a 13-strong peloton, all on 71% to 74%. Arista's empowered, client-savvy MGA underwriters and first-rate performance in new business, documentation, renewals and broker development were undercut by run-of-the-mill covers, occasional service bottlenecks and disappointing, outsourced claims handling.

Liability and finpro specialist Novae showed a helpful, supportive attitude to brokers and a zippy, modern documentation system, while 10th-placed HCC International delivered rapid quotes, strong specialist underwriting support and a generally competent service all round. Catlin gave a consistently sound performance of which skilled underwriters and strong broker relationship management were the keystones.

Twelfth-placed MMA showed hard evidence of having listened to its brokers and moulded its current service platform and business strategy on their input. MMA's claims and cover were only slightly above average, but its new business handling, documentation, renewals and development support were first-class. MMA was highly recommended for liability risks.

Fortis, HSB EIL and Ecclesiastical each landed on 72%. Fortis, best insurer for liability, was in the top 10 on new business and claims. Ecclesiastical was top 10 on cover and claims. HSB — best insurer for construction and engineering — was reasonably businesslike across the board.

Travelers, Brit, Ace, QBE and Chaucer were 16th to 20th in the table. Each showed a combination of fine work in some service areas and underperformance in others. For instance, Ace's 275 broker respondents reported frequent headaches on new business and little effort on business development. But its

documentation and renewal processes were alright — at least, as long as they were electronic. And on underwriters and cover, Ace was in the top 10. Despite a few horror stories, it also scored better than most on claims handling.

Brit was highly recommended in commercial property and QBE ranked best insurer for commercial motor.

**The bottom half**

The first six insurers in the table's lower half — Amlin, CNA Europe, Markel, Great Lakes, Fusion and DAS — all reached the average market score, or came within a point of it. Slow, often incorrect documentation was Amlin's main failing, while Markel fell slightly short on cover and claims handling and its management of renewals could be flaky. "They think giving a seven-day extension on the policy makes it all better," said one broker. "It doesn't."

On 67% and placed 27th to 31st in the table were Towergate, Allianz, Groupama, Equity Red Star and Highway. Towergate was a bit off-key in most areas, though it delivered exceptional broker development support and showed useful capabilities in certain lines, earning a highly recommended for construction and engineering.

**Both had their uses, willing to write spartan policies for problem risks at Ryanair prices.**

Groupama suffered from tired, foggy covers and, it seemed, a lack of specialist focus. Commercial motor specialists Equity Red Star and Highway were third to fourth-quartile across the board.

Allianz showed that a big insurance group can deliver a reasonable service. Its documentation, cover and claims were fine and on commercial motor business, it was highly recommended. But its scores for handling new business and renewals were shabby. "It's almost impossible to speak to a decision-maker without having to go through the call centre and explain the same problem to several handlers over and over again," said a junior manager at one large broking firm. Comments on Allianz's service split 194:94 positive.

AIG — currently being rebranded as Chartist, following an announcement on 27 July — was 32nd. Its covers were excellent, but the loss of some



experienced staff had pulled its underwriting score down to average and performance in all other areas was sub-standard. For many, AIG's documentation was a "disaster". One account executive in the East of England reported waiting "the best part of a year" for AIG policy documents, despite frequently chasing. When eventually they did arrive, they were wrong. Like Allianz, however, AIG had a solid offering in some core lines.

Primary General, 33rd, was an oddity. Its standards on responsiveness, underwriter skill, documentation and cover were blotchy. It had misjudged its line on renewals, too. Claims handling could also be quite dysfunctional. And yet this MGA was hands-on and entrepreneurial with its brokers, and its best small package covers were innovative and saleable. There is a good outfit inside Primary General — somewhere.

Zurich, with 64%, came in 34th. Its cover and claims handling were OK, but 44 respondents savaged its performance on new business enquiries. "No appetite, lack of staff resource and a poor response — if any at all," said a senior manager at a medium-sized firm in the North West. "At least two weeks behind the slowest at putting quotes forward," reported an account executive from Yorkshire and Humberside. One even speculated that Zurich was "trying to knock itself out of the market".

RSA was 36th, with 60% and comment that split 100:220 negative. Save for claims, it did badly everywhere. On handling new business enquiries, RSA's 487 brokers rated it second-worst in the market. "RSA's contacts change daily," said a manager at a mid-sized firm in the South West. "Its underwriting process is incredibly protracted and requires an infinite amount of information — and then it still can't make a decision." A total of 64 others made a similar point.

**Six of the worst**

From 35 in the table downwards, broker comment turned markedly negative. NIG was bottom quartile everywhere, with apathetic

treatment of new business enquiries and inept claims handling much in evidence. "The worst claims service ever across all classes and especially motor fleet," reported a South Eastern account executive. "NIG is disorganised, understaffed and not pro-active."

Some felt the top brass of NIG's owners, Royal Bank of Scotland, were backseat driving. "It's clear RBS neither understands nor wants to support the broker market," said the head of one Eastern Counties firm. Rather than trust its underwriters' judgement, he reckoned, RBS had decreed flat-rate increases, regardless of risk quality. "So it ends up losing good renewals, but then has to under-price poor new business to try to hide the shortfall."

Aviva, fourth from bottom, was just 0.08% behind RSA overall. Comment matched:

189:398 negative, plus 16 mixed. Aviva's cover was fine, but its new business and underwriting scores were poor and standards of documentation were diabolical. Getting correct documentation could take half a dozen attempts, generating a thicket of paper every time. "We've only just now received a correct policy schedule for a property owner's policy that was due for renewal in August 2008," reported an administrator in the North West.

Renewals were even worse. Of 103 broker comments on Aviva here, 82 were negative. Brokers found Aviva late with terms and then stubbornly insistent on jamming up rates by 20% to 30% — "take or leave it" and recession be damned. Many had left it and re-brokered their better risks. "Aviva got itself in a real knot," said a partner in one large-ish South East firm. Late broker feedback, however, indicated something of a retreat here.

What about Axa? It's slow, painfully slow, but Axa is improving. For brokers, it beat RSA on new business, Aviva and RSA on renewals and Groupama, RSA and NIG on quality of cover. Overall 38th place and 120:361 negative comment is nobody's triumph, and Axa's documentation remains catastrophic: a 54% score, 16 points below average, for 39th place, with comment 9:87 negative. Still, on precise unrounded overall scores, Axa came out just 1.4% behind

**The best and the worst: what our results said**

Category	Best Insurer	Highly Recommended	Recommended	Raspberry
Marine, Aviation and Transport	Northern Marine Underwriters	Beazley	CNA Europe, Towergate	Axa
Construction and Engineering	HSB Engineering Insurance	Towergate	Ace, Allianz, Brit, Zurich	NIG, RSA
Financial and Professional	Hiscox	Chubb	AIG, Catlin, HCC International	Aviva, Quinn
Commercial Combined	Evergreen	Chubb	Allianz, Fusion, LV, QBE, Travelers	Axa, Quinn
Commercial Property	Evergreen	Brit	Allianz, Fortis, Fusion, LV, Towergate	Quinn, RSA
Commercial Motor	QBE	Allianz	Arista, AIG, Zurich	Quinn, Tradex
Small Package (<£2k premium)	LV	Evergreen	Ansvar, Arista, Brit, Fortis, MMA	Quinn, RSA
Liability	Fortis	MMA	Ace, AIG, Brit, QBE, Towergate	Aviva, RSA

Aviva and 1.5% behind RSA, so surpassing one or other of them in 2010 looks possible.

Bottom of the class were Dublin-based Quinn and motor specialist Tradex. A few brokers got on fine with Quinn, but most found it an eccentric outfit with shoddy covers and a difficult attitude to claims — two characteristics shared by Tradex, which was also short on trained underwriters and seemingly jammed up with backlogs. Still, both had their uses as markets of last resort, willing — according to respondents — to write spartan policies for problem risks at Ryanair prices. Tradex did seem to be trying to improve.

**Lessons to learn**

So much for the insurers. What can we learn about the insurance industry? In each area of service, important shifts are under way.

Undermanned or badly managed call centres continue to enrage. Brokers hate queuing for 10 minutes on the phone, only to speak to a gormless youth who has to refer the enquiry to a grown-up anyway. Direct access to trained people is the ideal, but for a lot of small risks, that's uneconomic.

So many insurers have launched online systems for low-premium business, hoping to free up skilled people for the bigger-ticket risks. But crucially, the smart operators have done what some insurers have previously failed to do: maintained goodwill, by putting brokers' needs first and providing solid technical and underwriter support. MMA's Broker Online and Evergreen's Stage 2 system are prime examples.

Some insurers have come to rely too much on investment returns and too little on skilled underwriting. The recession and a hardening market are exposing them. Today's market needs underwriters with the

skills and savvy to price a risk correctly. But there are too few to go round. Insurers that have got them will do well. Training programmes will need expanding.

Even a year ago, many brokers used to fume about online documentation systems — the reams of printing at their expense. None complain now. Many brokers seem to have shifted to an almost paperless office. Several newer-entrant insurers and MGAs have practically built their companies around frictionless, instant documentation, designed from the outset to be short, clear and reader- and e-mail-friendly. Other insurers are in transition, which led to a marked contrast in grades between brokers using online documents and those using paper and post. Some insurers, however, remain stuck in a swamp of 'legacy issues'.

Pricing renewals by central diktat may be tempting and understandable, particularly for insurers short on underwriting wattage. But it irritates brokers and with plenty of sharp, hungry competitors in the wings, it can backfire badly. And even where underwriters are trusted to make a commercial judgment, many are simply overworked. "I have had e-mails from people still working after 9pm at night just to stand still," said one account executive. "The consequence of inadequate staffing is too much stress."

Brokers gave a mass of detailed feedback on covers. But in short, several insurers are pushing outdated products. An account executive at one national firm, reckoned NIG was "still using the same policy wording as in 1960". Another described an Axa cover as "about 100 years out of date". The top-rated insurers on quality of cover and in specific lines offered specialist products, carefully designed to match the

real needs of a modern business. They kept on updating them too, to keep them fresh and saleable.

Performances on claims spanned a wider range than any other aspect of service: from 84% down to 42%. Among the low performers, there was ample evidence of administrative chaos, apathetic staff and rejection quotas. Slow, difficult payers make a lot of work for brokers and can imperil client relationships. Very often, bad service and poor communication from outsourced claims contractors and external loss adjusters was a factor. This work can be outsourced successfully: Evergreen outsourced all such work, yet topped the claims table. But insurers need to set high standards and monitor contractors carefully to keep them up to the mark.

On development support, scores in general were weak. Again, upstart insurers and MGAs were setting the pace. The best performers gave reliable, personal points of contact, developed trusting, two-way relationships with broking staff, kept them up-to-date on their products and actively helped to prospect for — and land — target business. Mobile or 'development' underwriters went down a storm.

All in all, then, 2009's study shows a market working as it should, with energetic young businesses innovating and competing to win brokers' business. The old guard will either have to adapt or fade away. Maybe they're fading already. Brokers complained bitterly of big composites closing their local offices, but Arista and LV had opened in Birmingham and MMA in Birmingham, Glasgow and Manchester. If there's one maxim for insurer success, it is to get close to your brokers and listen to them. In this market, they can be your best friends. **POST**