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Fleet owners losing confidence in insurance partners, warns broker

By Anne-Christin Gröger, Cologne

The methods enlisted by German motor insurers last summer to put pressure on industrial clients with particularly high loss ratios has led to a deterioration in the relationship between corporate clients and the insurance industry, warned Aon Manager Sven Erichsen.

Troubles began when insurers threatened to cancel client policies for individual cars after a claim or raise premiums by up to 100%. "Insurers overstepped the mark in the recent renewal season," he criticised at a motor insurance conference in Cologne. "They have to realise that their behaviour has triggered a loss of confidence amongst corporate clients."

The aggressive methods some motor insurers applied last year to impose price rises on the fleets of industrial customers in the middle of their annual contract was widespread.

They told companies with very large fleets of hundreds, or even thousands, of cars, delivery vans or trucks that they would have to pay surcharges immediately.

Customers who refused to pay were told that every vehicle involved in a claim would have its policy cancelled with immediate effect.

Companies guilty of this behaviour included Axa, Basler, SV Sparkassenversicherung Stuttgart and SV Sachsen.

The threats could be interpreted as an act of desperation by the motor insurance industry in reaction to accumulated losses. Fleet losses are especially high, with a combined ratio of 115.4% in 2011. Following eight years of softening prices there remain very few insurance companies producing underwriting profits.

"The need for premium rises was inevitable," Mr Erichsen said. "I appeal to the insurers to cooperate properly with clients and brokers in the future and to give us some advance notice for planned premium rises." He said that he had received calls from colleagues abroad that could not believe what was happening in the German motor insurance market.

German insurers announced at the beginning of every recent renewal season that they would impose premium rises and harsher conditions. However, shortly before the season ended certain insurers would again reduce premiums.

Now, Mr Erichsen has observed definite changes in the market. "This year it was much harder for us brokers to find cover for fleets with high loss ratios. **Under current conditions, some of them simply were no longer insurable." One of the fleet managers who had to pay much higher premiums due to numerous claims is Andreas Nickel. He runs the German fleet of telecommunication company Ericsson. "During the recent renewal we found it**

extremely difficult to find a new insurer who was willing to provide cover," he said at the conference. For this reason, Ericsson had to raise deductibles from €200 to €1000 per claim, and now his employees must pay deductibles for claims caused on off-duty trips.

Martin Benzing, Fleet Manager at medium-sized injection moulding machines producer Arburg, which is based in southern Germany, is dissatisfied with how his insurers handled claims for his company's 260 cars, vans and trucks. "Many insurers are complaining about high costs—why don't they start to save money with small things?" he said. He said that when a claim arises correspondence between his department and his insurers takes too long as there is no dedicated contact person. "In some cases, the insurers' handling is so slow, they might as well deliver their correspondence by a stage coach," he complained.