

Italy Lead The Way For Commercial Non-Life Insurance Broking

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New research published by Finaccord concerning four of Europe's largest markets for commercial non-life insurance broking shows that the UK market is that which is consolidating most rapidly, in part as a result of the multiple acquisitions made by Arthur J. Gallagher in recent times. However, the degree of concentration reached in the UK remains behind that of France and Italy although it is now well ahead of the still-fragmented German commercial non-life insurance broking sector.

Overall, the Italian market displays the highest degree of concentration in commercial non-life insurance broking of the four countries. The top ten brokers in Italy accounted for 77.6% of all commercial non-life insurance broking revenues in that country in 2013, followed by France with 71.0%. Although the equivalent figure for the UK is lower at 61.9%, it has increased from 52.0% in 2011 and will rise further by the end of this year as a result of acquisitions that have taken place during 2014.

In contrast, the top ten competitors in Germany accounted for 46.1% of commercial non-life insurance broking revenues in 2013, a figure slightly down from 47.6% in 2011; thus, the German market is likely to offer considerable long-term potential for consolidation.

"The most acquisitive broking group in the UK in recent times has been Arthur J. Gallagher as it bought Heath Lambert and several smaller brokers in 2011, the property and commercial insurance interests of Barbon Insurance Group in May 2013, both Belmont International and Giles Insurance Brokers in September 2013, and both OAMPS and The Oval Group in April 2014", comments Bernd Bergmann, a consultant for Finaccord. "These acquisitions have transformed Arthur J. Gallagher's position and our analysis suggests that they potentially enable it to challenge the established leadership of Aon and Marsh in the UK in future".

In fact, as part of its series of reports about commercial non-life insurance brokers in Europe, Finaccord estimates that with revenues of EUR 2.88 billion the UK hosted the largest market broking of commercial non-life insurance in Europe in 2013 and that the top ten UK brokers accounted for about EUR 1.78 billion of this total in fees and commissions. It was followed by the French market and then by that of Germany which has a lower value because the distribution share of brokers in commercial lines there is substantially less than in either France or the UK (due mainly to the enduring strength of agents and captive brokers).

"While the market for commercial non-life insurance broking in Germany is growing, independent brokers have often had difficulty in accessing the market for some of the large corporate accounts which are served by captive brokers. At the other end of the spectrum, small businesses frequently still use agents. This market structure makes it more difficult for independent brokers to grow and for the large international brokers to identify significant acquisition targets. Nevertheless, it is reasonable to expect that it will consolidate in future, especially given the comparisons that can be made with France, Italy and the UK", says Bergmann.