ECONOMIC INSIGHTS

Allianz Insights October 2026

A highly competitive commercial insurance market continues to create both opportunities and challenges for customers, brokers and insurers. But while rates continue to soften, rebuild, repair and replacement costs are still rising, making it important that cover keeps pace with changing risks and the cost of recovery.

For brokers, this means helping customers make the most of current market conditions while checking that sums insured and business interruption cover still reflect their needs.

UK commercial insurance rates have now fallen for 10 consecutive quarters, with rates declining by 8% in Q2 2026 as strong insurer competition and market capacity continue to soften pricing. Meanwhile, inflationary pressures, rising material costs, supply chain disruption and increasing claims costs continue to widen the gap between premium reductions and underlying risk costs.

Against this backdrop, businesses continue to navigate a complex and evolving risk environment, with attention also turning to the UK Autumn Budget 2026. The UK economy is forecast to grow by 1.1% in 2026, while global growth is projected to reach 3.0%.

Our latest Allianz Insights report explores these economic and market developments, alongside the insurance implications for businesses and the conversations brokers may wish to have with their customers.

Inflation and price indices

- The Bank of England's base rate is currently 3.75%, while CPI inflation increased to 3.1% in August 2026, above the Bank's target of 2%. (Source: Bank of England)
- GDP growth is forecast to pick up slightly in 2027, but the economy has limited capacity to grow above 1.5% annually. (Source: Allianz)
- Average fixed mortgage rates have started edging higher again and mortgage rates for 2026 – 2027 are expected to remain elevated. (Source: Home Owners Alliance)
- UK house prices are forecast to rise by 24.5% over the next five years. (Source: Savills)
- The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 3.3% in the 12 months to August 2026, up from 3.1% in July. Transport costs, particularly motor fuels, were the largest contributor to the increase. (Source: Office for National Statistics)

Insurance impacts

- Following FCA interventions, the cost of paying for insurance monthly has decreased, saving consumers an estimated £157m. (Source: Financial Conduct Authority)
- Interest rates for premium finance have fallen by an average 4.1 percentage points since 2022, saving consumers £8 on a typical motor policy and £3 on a typical home policy per year. (Source: Financial Conduct Authority)
- Technology adoption has accelerated rapidly and 73% of UK insurers are now using generative AI in claims. (Source: Insurance Post)
- Despite a softening insurance market, inflation continues to increase the cost of rebuilding, repairing and replacing assets. Brokers should encourage customers to regularly review sums insured, indemnity periods and asset valuations to help ensure cover remains aligned with current exposures and replacement costs.
- Lower insurance premiums should not be interpreted as lower risk. The gap between falling rates and rising replacement costs can increase the likelihood of underinsurance if valuations are not reviewed regularly. (Source: marsh.com)

Supply chain disruption

- Conflicts in the Middle East, Ukraine, and tensions involving the US and China are increasing supply chain volatility and unpredictability. (Source: Allianz)
- War and military conflicts were named as the biggest threat to companies' export activity and supply chains over the next two years. (Source: Allianz)

Insurance impacts

- Ongoing supply chain disruption can prolong recovery times following a loss, increasing the importance of reviewing business interruption indemnity periods and contingency planning. Brokers may wish to discuss whether customers' current cover reflects the longer timescales now associated with repairing, rebuilding or replacing critical assets.

Energy crisis

- Energy-related supply chain disruption is a top global business risk. (Source: Allianz)

- From April 2027, electricity bills will be cut by up to 25% for over 10,000 businesses through the British Industrial Competitiveness Scheme. (Source: Gov.UK)

Insurance impacts

- As businesses invest in energy efficiency measures, renewable technologies and operational change, brokers have an opportunity to review whether existing insurance arrangements fully reflect new equipment, altered business processes and evolving risk exposures. (Source: Allianz)

The cost and shortages of food and supplies

- An exceptional summer period of heat and drought is already affecting agriculture with the Environment Agency reporting reduced crop yields, earlier-than-normal harvesting, restrictions on irrigation, concerns over livestock forage and possible shortages of straw. (Source: Gov.UK)

- Food inflation, driven by global conflict, energy costs and supply-chain disruption, is expected to hit 9-10% by late 2026. (Source: The Food and Drink Federation)

- Approximately 80% of fruit and nearly half of vegetables consumed in Britain are imported and many of the supplying regions are also experiencing heat and water stress leading to a lack of resilience in supply chains and anticipated increases in costs and reduced availability of produce. (Source: The Guardian)

Insurance impacts

- Rising food, fuel and supply costs can increase stock values and business operating costs. Brokers should encourage customers to review declared values regularly, particularly where stock levels, inventory values or supply-chain dependencies have changed significantly over the last 12 months.

The cost of materials

- Building material costs are expected to rise across 2026. (Source: Construction News)
- The overall construction material price index (All Work) increased substantially by 5.9% in July 2026 compared to July 2025. (Source: BCIS)
- Steel is currently one of the clearest areas of inflation as it is being affected by energy costs, raw-material costs and international trade conditions. (Source: Eurometal)

Insurance impacts

- Construction material inflation continues to place pressure on rebuild costs. Businesses that have not reviewed valuations recently may find declared values no longer reflect true replacement costs, increasing the risk of underinsurance in the event of a major loss. Professional valuations and regular reviews remain important.

Construction

- Building costs are forecast to rise 15% over the next five years. (Source: BCIS)
- Construction output is forecast to grow by approximately 11% in 2027, driven by infrastructure, retrofit and a gradual recovery in private-sector development. (Source: London Construction Magazine)
- Higher labour and energy costs continue to increase production and transportation costs for businesses. Many firms report rising staffing costs and ongoing concerns about energy and fuel prices, while supply chain disruption is also expected to increase transportation costs. (Source: ons.gov.uk)

Insurance impacts

- Growth in construction activity, combined with higher material, labour and transportation costs, reinforces the need for regular reviews of contract values, rebuild values and project timelines. Brokers can play an important role in helping customers ensure cover keeps pace with changing project costs and exposures.

Motor

- The UK new car market is anticipated to rise 2.9% on 2026 expectations to 2.245 million units. (Source: Society of Motor Manufacturers and Traders)
- The Battery Electric Vehicle (BEV) market is anticipated to rise by a fifth, pushing market share to 32.1% in 2027. (Source: Society of Motor Manufacturers and Traders)
- The automotive sector is set to benefit from the British Industrial Competitiveness Scheme, which will see commercial energy bills cut by up to 25%. (Source: Gov.UK)

Insurance impacts

- While motor insurance rates remain highly competitive, repair costs continue to be affected by advanced vehicle technology, EV adoption, specialist parts availability and labour costs. Fleet customers should review vehicle values and risk management arrangements regularly to help maintain appropriate protection and minimise disruption following a claim. (Source: marsh.com)

Commercial property

- Rent growth has slowed as affordability pressures limit further increases. (Source: Zoopla)

- The rental market is moving towards better balance as demand weakens and supply improves. (Source: Zoopla)

- The use of joint ventures between developers, funders and builders in the new-build sector is an increasingly important strategy for sharing financial risk. (Source: Carter Jonas)

Insurance impacts

- Property claims inflation remains elevated due to higher labour and construction costs. For property owners and occupiers, regular valuation reviews, appropriate index-linking and consideration of longer rebuild timelines are becoming increasingly important to help avoid underinsurance and support business resilience following a loss.

How Allianz is supporting brokers

As businesses face rising rebuild, repair and replacement costs, we're helping brokers support customers through:

- Our Underinsurance Hub, bringing together practical resources, valuation guidance, case studies and support to help customers review sums insured, business interruption cover and reduce the risk of underinsurance.

- **New and refreshed propositions**, including **Wholesale & Retail**, **Renewable Energy Select** and expanded **Multinational** capabilities, including Construction risks across the EEA, helping brokers address changing customer needs and evolving risk exposures. **Wholesale & Retail** and **Manufacturing** provide flexibility for customers with seasonal fluctuations in stock levels, helping brokers ensure cover remains aligned to changing values throughout the year.

- **Claims support when customers need it most**, including initiatives such as **Quick Start Payments**, designed to help customers access funds more quickly following a claim and support business recovery after a loss.

- **Our Smart Broker Briefs**, providing timely market insight, emerging risk trends and practical talking points to help brokers identify changing insurance needs and have more informed customer conversations.

- **Simpler digital trading**, with a referral rate of 10% compared with a market average of 22.1% and more than 5,000 complex risks now routed through digital journeys. Recent enhancements across **Complete Business**, **Complete Property Owner** and **Complete Flatowner** are helping brokers support customers as values and exposures change. For **Complete Business**, this includes increased Material Damage and Business Interruption limits to £10 million, broader appetite across more than 1,350 trades, fewer referral points and average-free wording.

- **Faster decision-making and greater access to specialist expertise**, supported by more than 150 underwriting authority increases in the first half of 2026 and expanded capabilities across Engineering, Energy and Multinational risks.

- **Additional insight and support**, including Allianz Economic Research and Ludonomics, the weekly newsletter from Ludovic Subran, Allianz's Chief Investment Officer and Chief Economist, covering markets, economic trends, sectors and insurance developments.

Allianz Insurance plc. Registered in England and Wales with company number 84638. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, reference number 121849. Registered address: 15 Bishopsgate, London, EC2N 3AR.