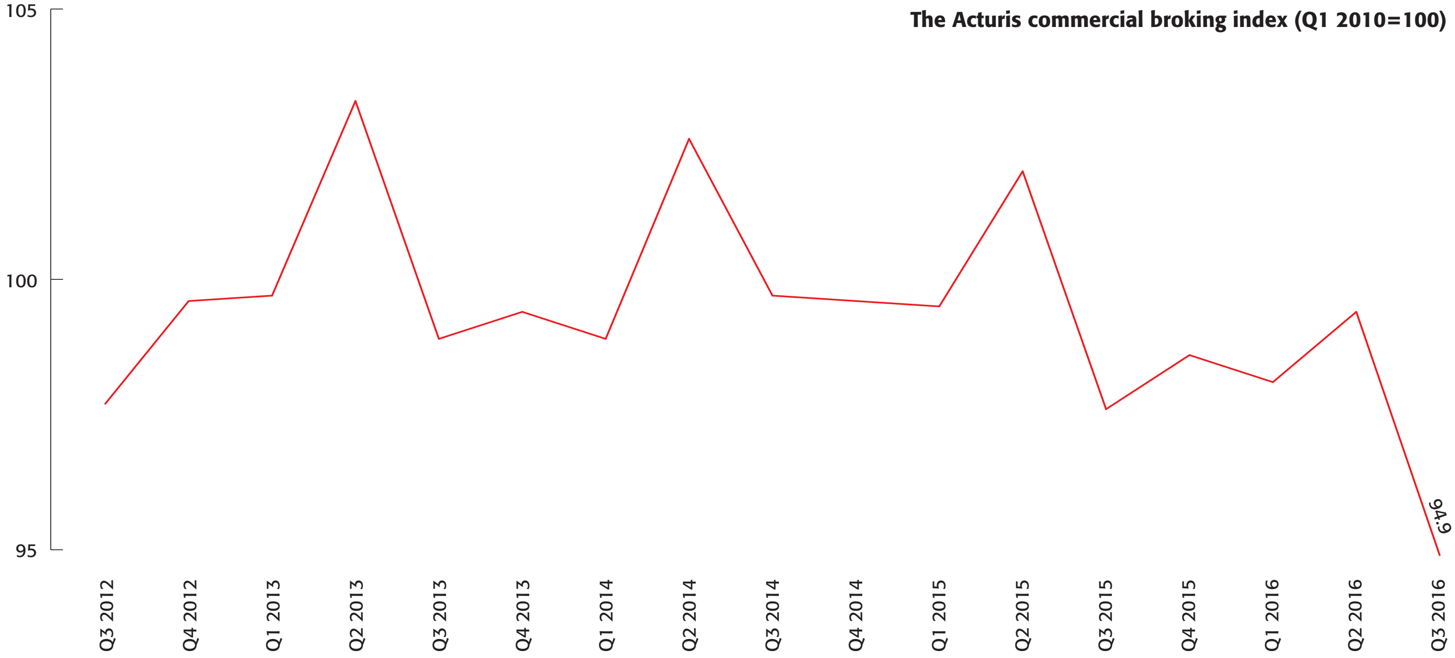
## THE STATS – THE ACTURIS PREMIUM INDEX



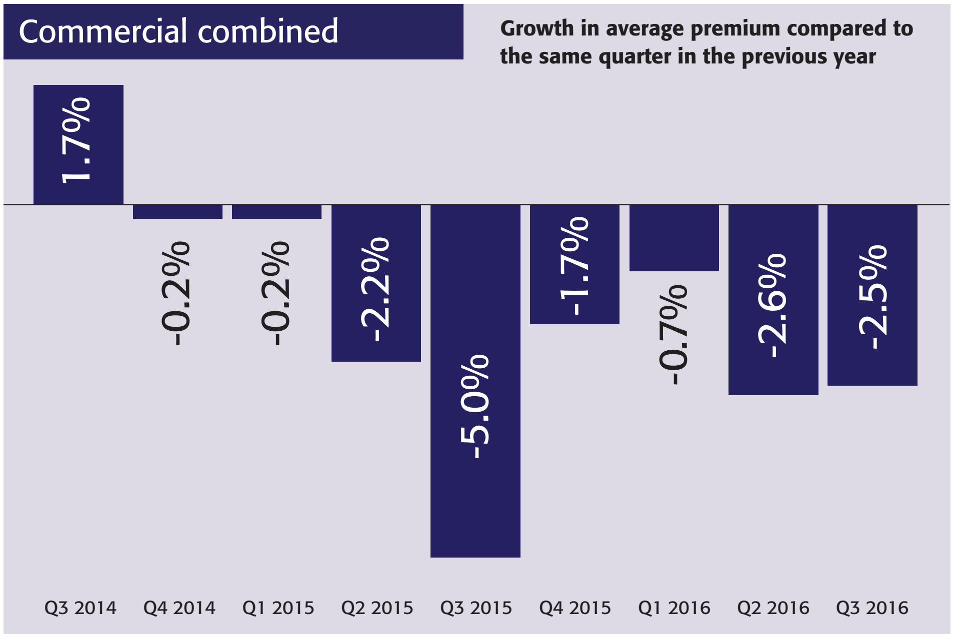

● Brokers will be concerned that the now traditional third quarter falls in the Acturis Premium Index have happened again. Five of the seven classes of business covered by the figures show that average premiums declined. Combined liability and property owners were the biggest fallers, while only commercial vehicle and tradesman increased. The commercial broking index which measures premiums across key lines in a typical broker's book of business (see above) was down 2.8% compared to the same time last year.

The figures emphasise the consistent theme of a squeeze and competition across the market.

Perhaps most worryingly for everyone involved, compared to the baseline – the first quarter of 2010 – the commercial broking index dipped below 100.0 and hit its lowest ever level of 94.9. Simon Mabb, managing director at Romero Insurance, agreed that the picture was far from ideal but advised it was not all doom and gloom.

"It depends on what proportion of your business you have on commission against what you have on fee," he highlighted. "If your business is on fee you are probably protected from that downward push because you're not taking a percentage of the premium."

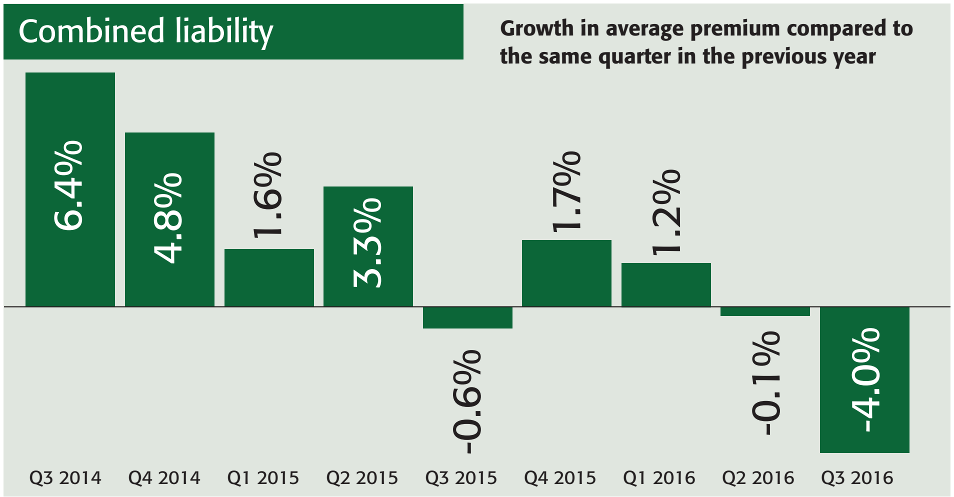
Movements in premium can be driven by changes in the size of risks and the level of insurance rate. Data from Acturis incorporates both factors (see box right). Analysing Q3 2016 with Q3 2015 will compare like-for-like risks rather than movement between consecutive quarters. ▷

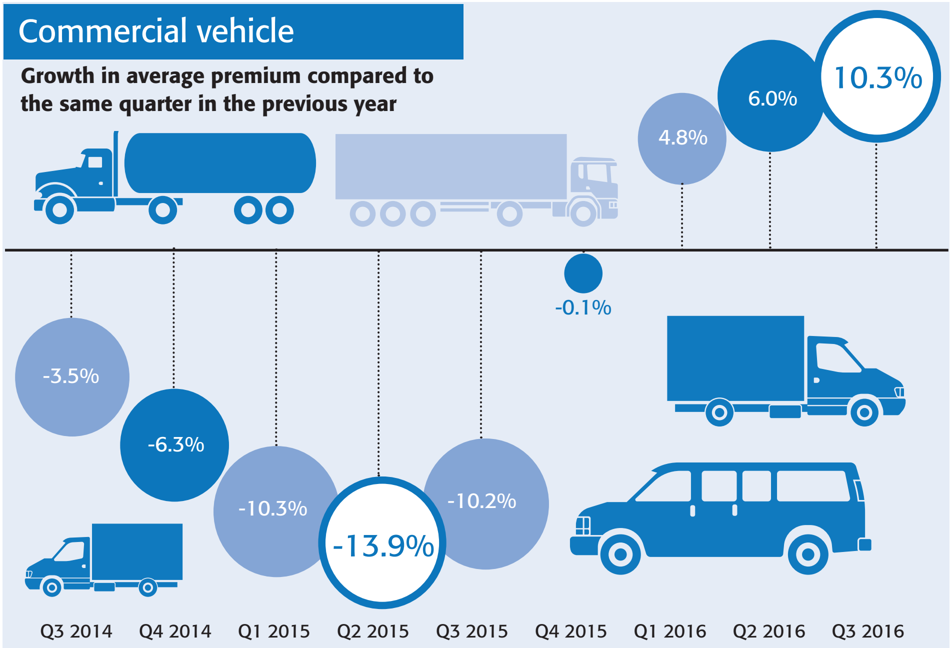


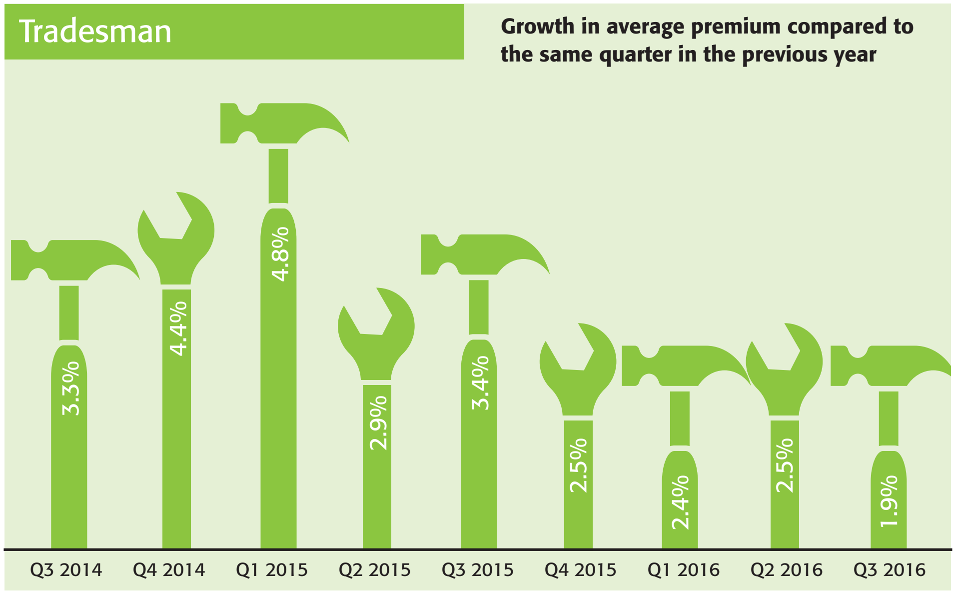

## Explaining the figures

**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 £5bn 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.**




Looking at classes of business individually, commercial combined saw yet another fall in average premium to 2.5% in the quarter. Juliet Williams, group SME director at Circle/SME Insure 360, said she wasn't surprised by the reduction, noting that commercial combined is being increasingly e-traded.

She explained: "There is no human intervention to say 'hold on, rates have gone down, what's the reason?' There has been so much work done over the last year on electronic trading and on the rates that things have reduced."

The fall in the business line was because it continued to be very competitive, noted Mabb. "It is a sweet spot for many insurers," he said. "There's just that continual downward shift and premiums are getting cheaper."

The main faller, however, was combined liability, which dropped 4% for the quarter. This is the second quarterly reduction in a row for a business line which had previously been positive quarter-on-quarter since 2012.

"This one has shifted quite significantly across the year, which is quite a surprising trend," said Catherine Dixon, director of underwriting commercial at Allianz. "It has high claims inflation running through it, it's a concerning trend in the market. So, one to watch."

In the view of David Williams, technical director at Axa Insurance, the trend could be driven by particular sectors.

"The market is particularly competitive at the current time," he said. "Some of that combined liability line would be construction business."

Two big risers for the three months were commercial vehicle and tradesman, climbing by 10.3% and 1.9% respectively, set against the same period year ago.

On commercial vehicle, Mabb noted the "big switch" from 2015 when it recorded a fall of 10.2% in the third quarter. He described the increase of over 10% as significant, branding it a recovery from the year before.

"This line stands out," he confirmed. "The rate is moving from one side to the other. I suppose it shows what happens if a big player like Enterprise leaves the market," he stated, adding that he did not expect it to continue pushing ahead at over 10%.

While David Williams "absolutely" agreed with the numbers he admitted to being surprised by the final figure.

"The increase was so high," he commented. "I thought it would be nearer 8% than 10.3%," adding: "There have been all sorts of problems, continuing issues with bodily injury claims and damage claims, which seem to be growing out of control."

Although the level of increase for tradesman was below that of the previous ▹

quarter it was still in positive territory and is above the 2010 baseline.

"That's reflective of the fact that this line of business has got higher claims inflation," noted Dixon.

David Williams observed the continual fluctuation of the line, saying: "It's very much a commodity product and sometimes it depends on whether a new player comes in with a special offer." But he said it was important to note that at 1.9% the growth was still not enough to deal with bodily injury inflations, such as claims on slips and trips.

Turning to fleet, packages and property owners, these classes fell by 2.2%, 2.8% and 3.4% respectively.

With fleet, it tends to be experience rated, David Williams pointed out: "We are seeing safer roads and that's keeping rates relatively low compared to commercial vehicle."

Commenting on packages, which has continued its trend from prior quarters, Dixon said: "It's interesting because it's been declining since Q3 2014". The quarterly declines have previously been less than 2%, although in the last two quarters this has crept towards 3%.

"Some markets have had to absorb insurance premium tax (IPT) changes into their risk pricing in order to ease the impact on end customers and improve retention numbers," she said.

Mabb also stated that people are competitive in this area and it is probably one of insurers' more comfortable sectors.

Juliet Williams gave her view on property owners, which saw another consecutive quarter of negative movement in average premiums.

With only two exceptions every quarter since the start of 2013 has posted a decline.

"This is the trade that all insurers are fighting over as it's nice and easy for them and they tend to make money from it," she said.

Turning to the general state of the market, she suggested that the increase in IPT from 6% to 9.5% for the period would have had an impact with brokers looking to negotiate premiums down.

Meanwhile Mabb focused in on the "great" level of capacity in the market causing a downward push. "There are lots of newer players and new underwriters in the market that are trying to write business which is why there's a bit of depression on pricing," he argued.

Overall, the sentiment across the experts was that the declining figures in most of the classes of business were likely to be repeated in the final quarter of the year. So what of 2017?

"I think it depends on what happens with the weather in Q1 2017," Mabb concluded.

"I don't think the industry can sustain another hit like it had last year and then continue to drop prices." ■