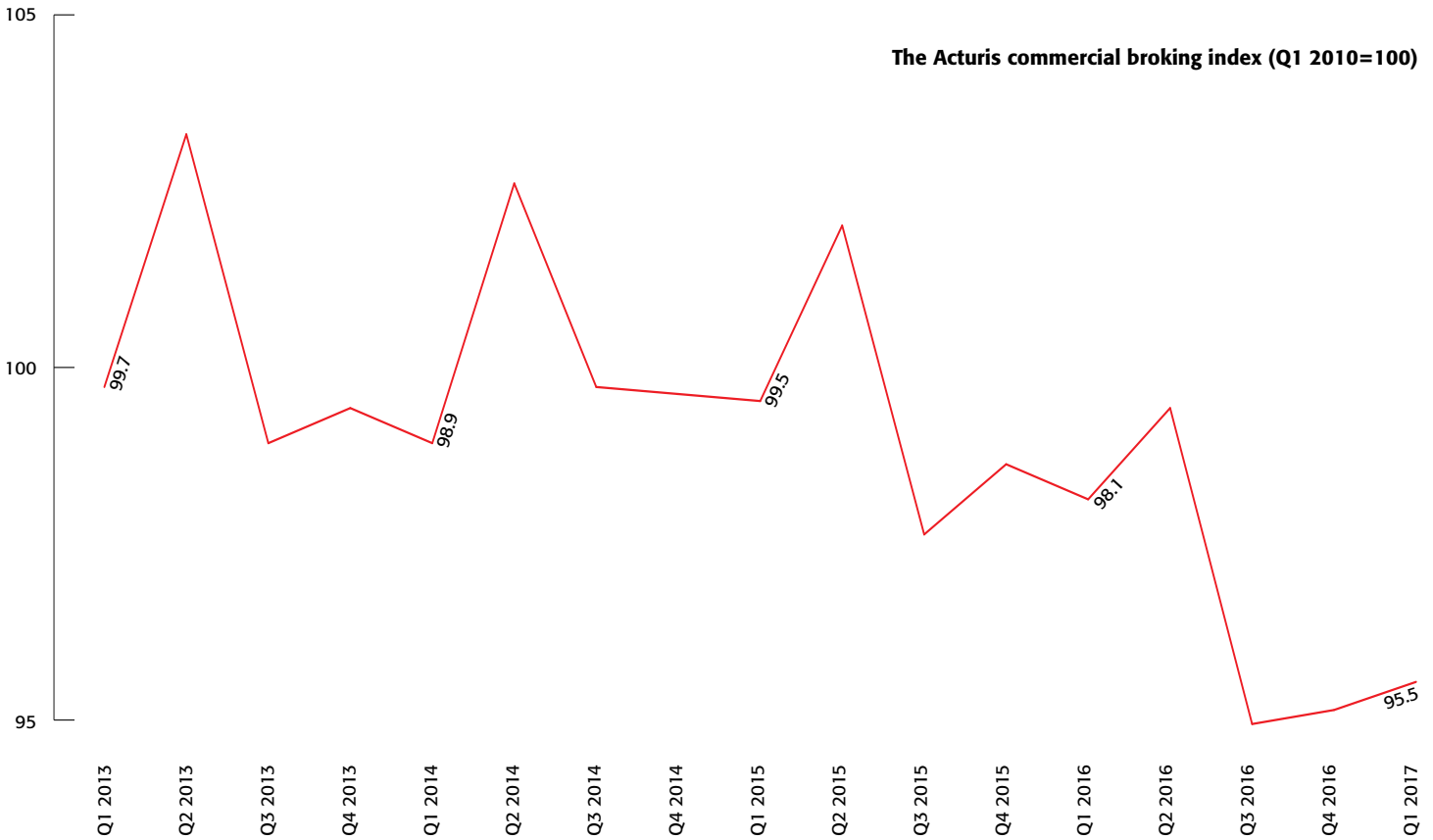


THE ACTURIS PREMIUM INDEX



BY JUDITH UGWUMADU

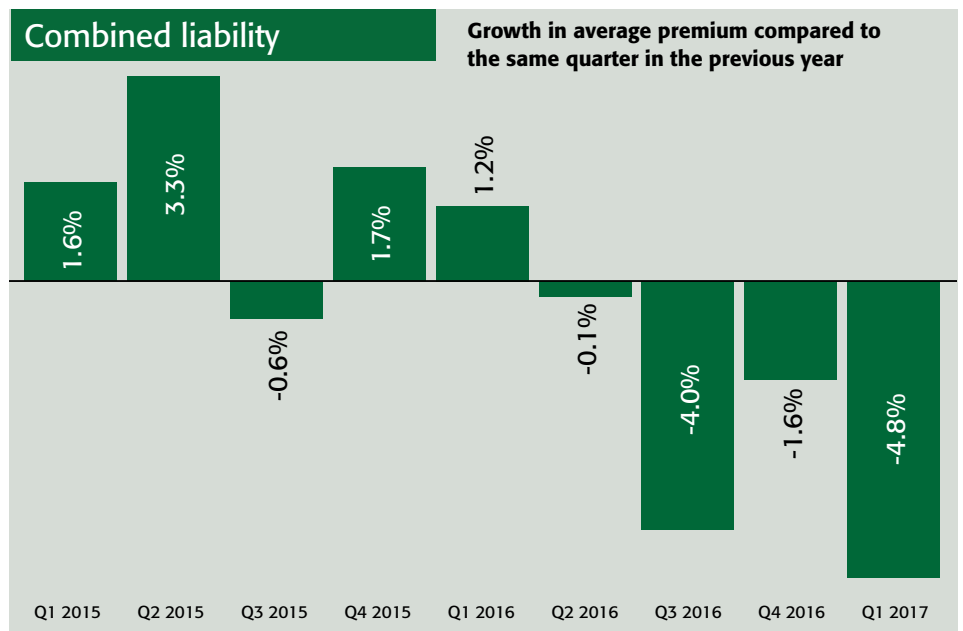
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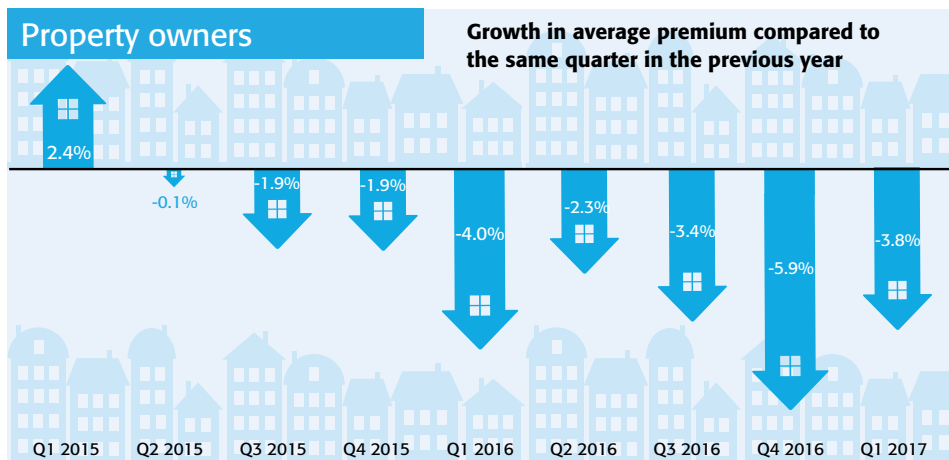
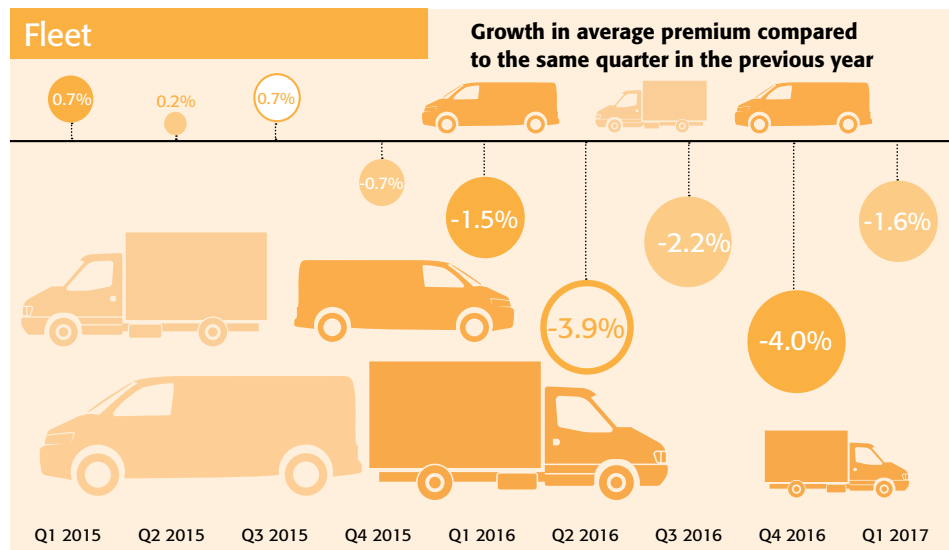
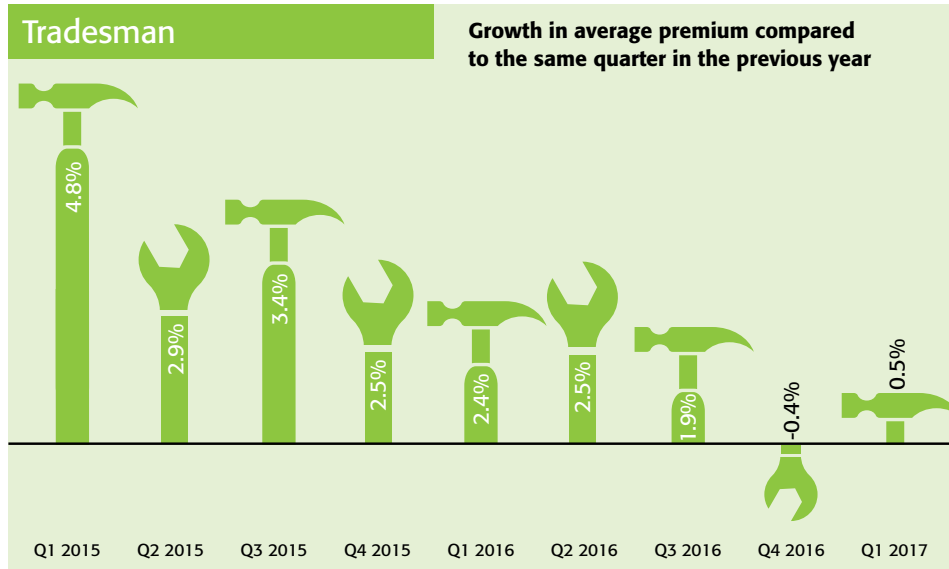


The Acturis Premium Index for the first quarter of the year has once again painted a bleak picture of significantly decreasing commercial insurance premiums.

The commercial broking index, which measures average premium movements across key lines in a typical broker's book of business (see box), was down 2.6% compared to the same period of 2016 (see above). It sits below the baseline – which is the first quarter of 2010 – at 95.5.

This start to the year is far from an encouraging sign for brokers with experts agreeing that those who offer the “cheapest rates win the business”. >





According to our specialists income margins will be pinched as competition intensifies due to the abundance of capacity in the market.

Taking a look at the individual business lines in the quarter, the biggest faller was combined liability which dropped by 4.8% year-on-year. It can be found just above the baseline at 102.2.

This could be seen as a surprise as in February, Justice Secretary Liz Truss changed the discount rate – also known as the Ogden rate – from 2.5 percent to minus 0.75 percent. The rate is used to help calculate lump sum payments of damages in personal injury claims.

However given the change kicked in on 20 March arguably the full hit is yet to be felt.

According to Markerstudy's head of commercial Stuart Dickinson, tradesman was already being affected within the first quarter figures.

"The market is trying to apply rate modifications for the two big areas of exposure in that account, which are falls from height and fire from hot works," he observed.

The line showed positive movement of 0.5% and can be found well above the baseline at 117.6.

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 the 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.

Simon Cooter, commercial lines and HNW director at Covéa, noted: "We've seen a bit of an uplift this quarter and I expect to see that [tradesman's] class continue to increase in the coming quarters."

Brokers were surprised by the negative premium change in fleet. It dropped 1.6% compared to the same period of 2016 and came in below the 2010 baseline at 98.4.

Peter Robinson, managing director at Prism Solutions, noted that there was too much capacity in the market but highlighted he had seen the Ogden rate decision starting to have an effect.

Citynet's director Anthony Purves appeared to agree: "Our fleet department is busier than ever writing business and rates are going up because of the Ogden increases. The [Q1 figure] surprises me."

Another faller was property owners, which dropped by 3.8% and came in the lowest of all lines at 89.4.

Dickinson said that although property owners had been a bit volatile it was not showing much rating strength.

"There is still profitability and capacity in the market and firms are trying to hang on to that business," he summed up.

Packages was another big faller down by 3.5%, its baseline figure can be found at 97.8.

Commercial vehicle, which has been up every quarter since the start of 2016, remained positive and in fact rose the most with a 6.5% increase. It is also the highest above the baseline with a figure of 120.6. Robinson observed that the line was "always at the cutting edge of premium changes".

Discussing the final line, commercial combined, its negative streak continued. The 1.7% decline means it has fallen now for 10 consecutive quarters.

"That's your heartland regional business," concluded Cooter. "If I had to select one line that I'd expect to proportionally increase in the next twelve months it would be that one."

He predicted that the second quarter of 2017 was difficult to call but stated he expects figures over the rest of the year to steadily increase in most of the indices. ■

