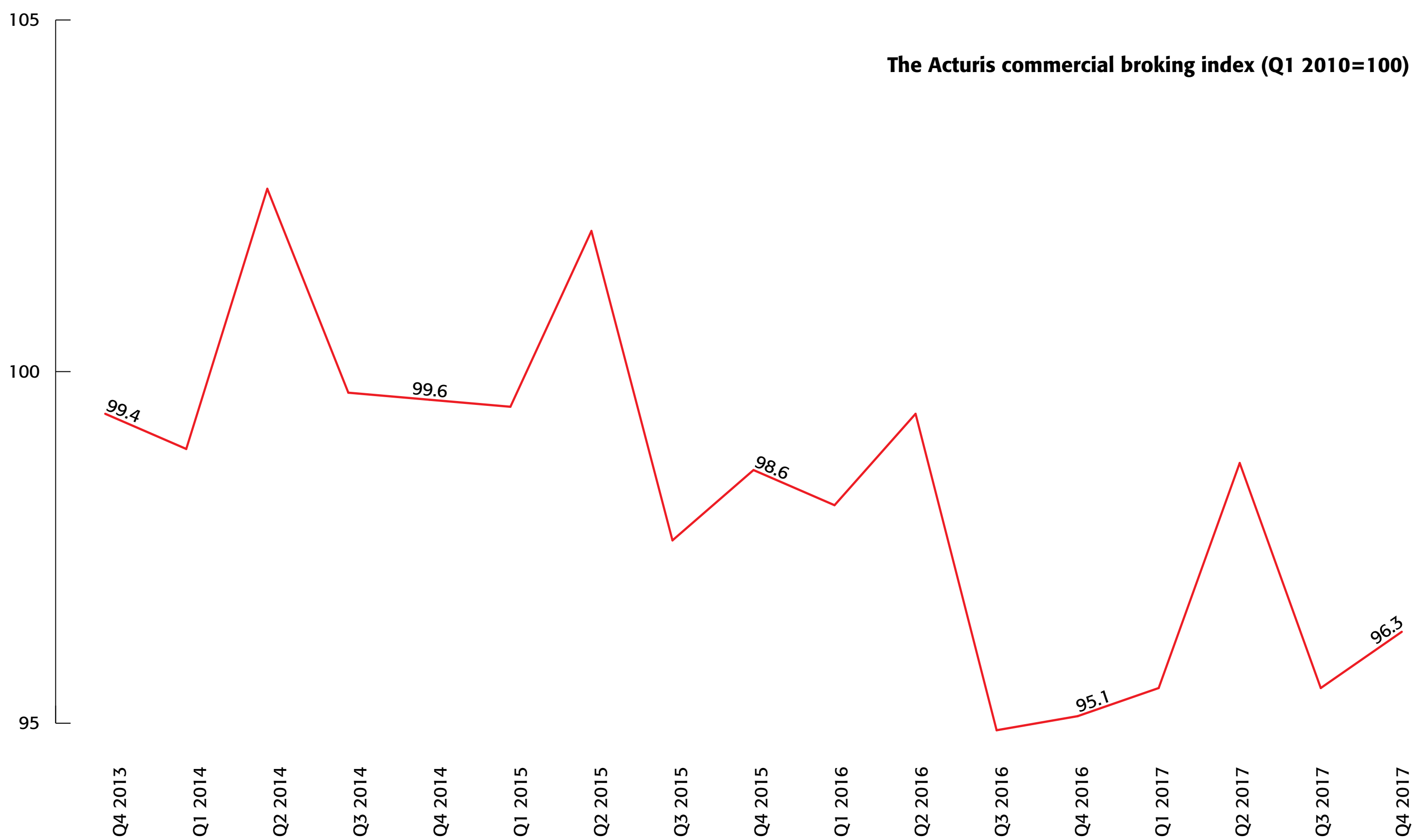
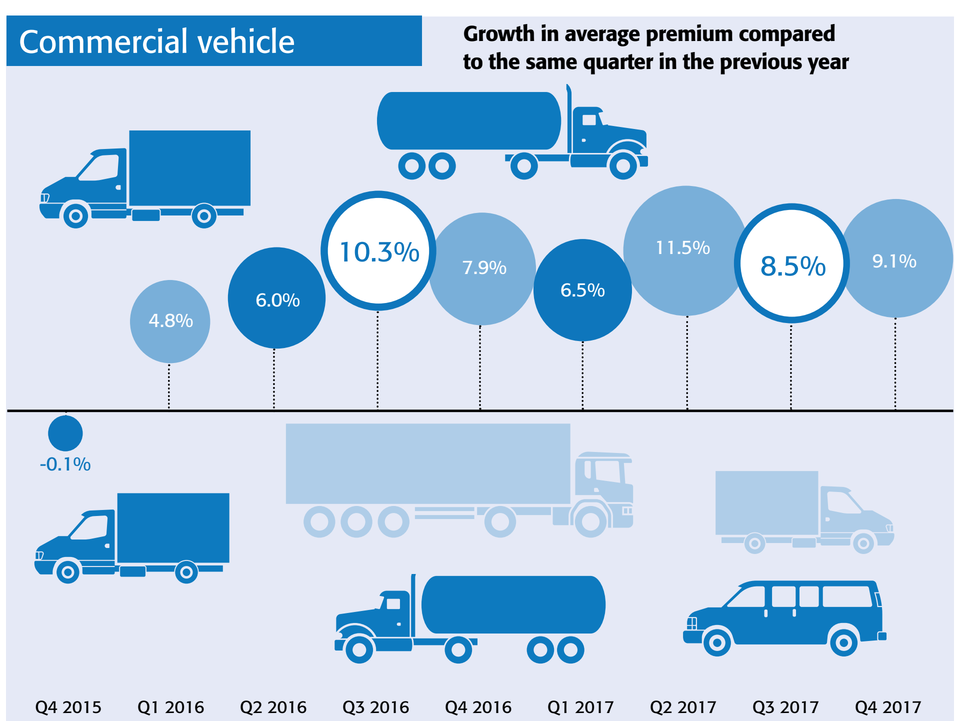
THE STATS – THE ACTURIS PREMIUM INDEX





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The Acturis stats show that brokers finished 2017 with their best quarter for over four years. In the final three months the average premium in every line, bar packages, increased. That has not happened since the second quarter of 2013. Likewise, the jump in the Acturis commercial broking index – a basket of measures that reflects the make-up of a typical broker's book – was also the highest measured since the second quarter of 2013.

The biggest increase – 9.1% – came in commercial vehicle. The change in the Ogden rate has been the main factor cited by experts for the increases in Q2 and Q3 and the trend has continued.

However, the rise in fleet was not as substantial. Furthermore, it was lower than in the third quarter, suggesting that the effect has already worn off to a certain extent.

According to Paul Beck, director at Surrey-based Amicus Insurance Solutions, the relatively recent movement in the Ogden rate was still impacting both lines. He agreed that commercial vehicle was seeing 5-10% rate increases and suggested the discrepancy between fleet and commercial vehicle was due to market appetite to negotiate. "Fleet gets squeezed whereas for single or twin vehicle you pretty much get what you get," he observed.

The second biggest riser of the quarter was combined liability. However, according to our experts the 4.7% uplift still underplayed the impact of Ogden, indeed one said that rates should have risen by 10% in order to reflect the hit.

The Acturis stats measure premium movement on a year-on-year basis. Comparing quarters in this manner sets similar risks against each other. Accordingly increases, or falls, can be driven by rating and/or changes in the size of the policies.

Ed Finch, managing director of Buckinghamshire-headquartered MRIB, flagged that businesses were doing well with increased staffing numbers and stock levels.

"We are seeing an awful lot of companies growing," he confirmed. This naturally would affect the level of premium that needed to be paid. "We are seeing general good growth in UK plc," Finch continued, adding that there were still layers to the situation.

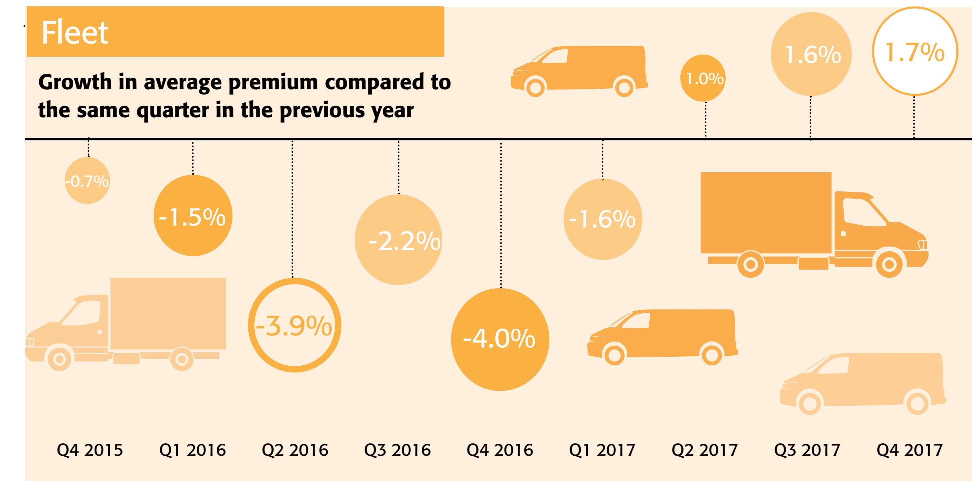
"If a client is mediocre, insurers are getting rate growth through," he maintained. "If the client is stellar, we are still seeing ridiculous rate reductions from 10-20%.

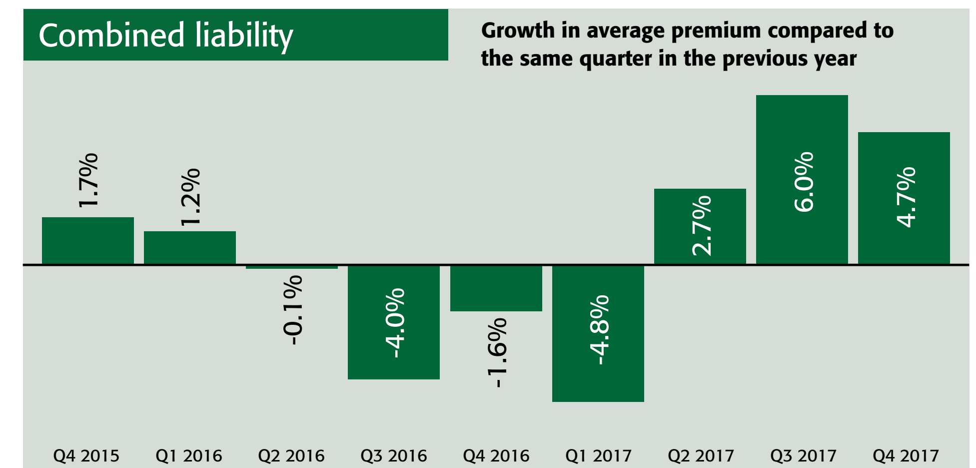
"Insurers are fighting very aggressively for the client of choice."

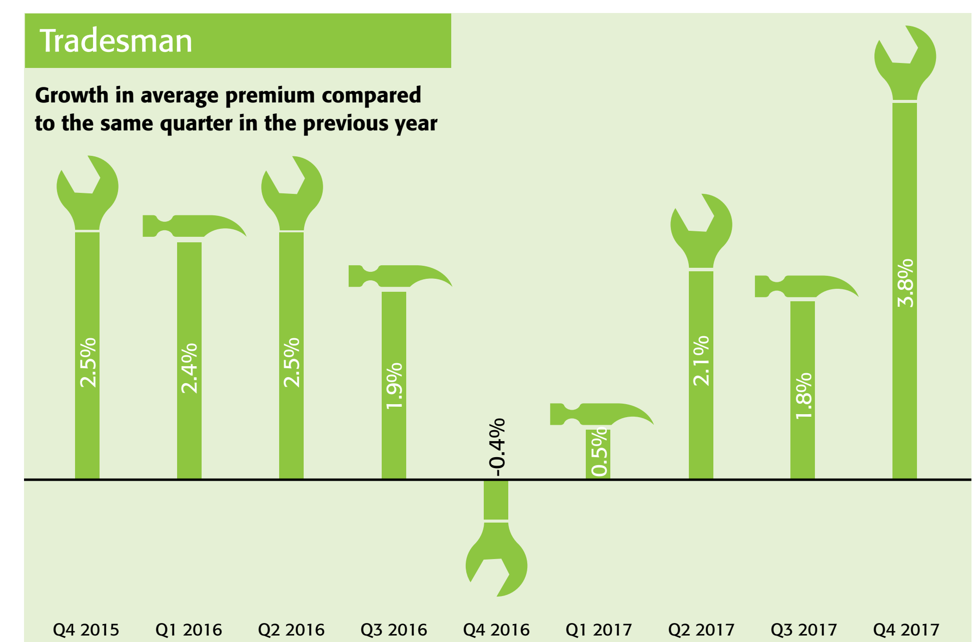
Back to the stats and it was tradesman (up 3.8%) and the fall in packages (down 1.9%) which brought out a different angle to Ogden in the responses.

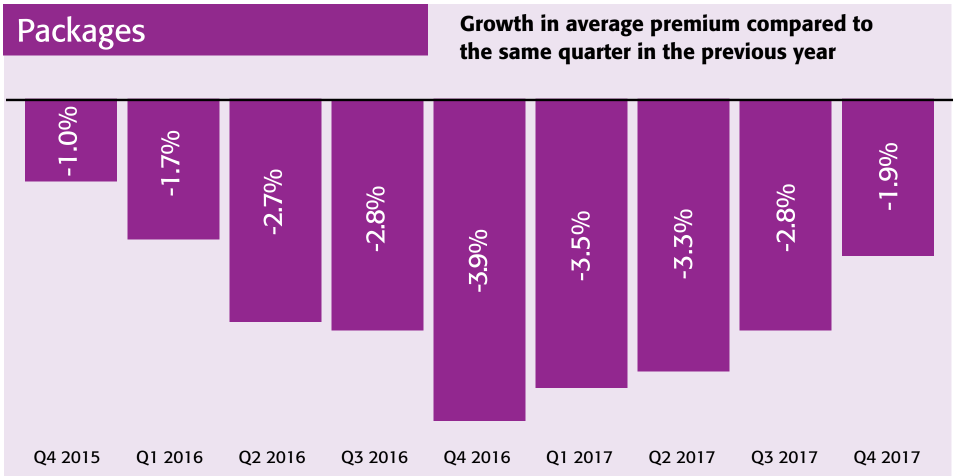
Euros Jones, commercial lines director at LV, pointed out improvements in technology remain an important factor.

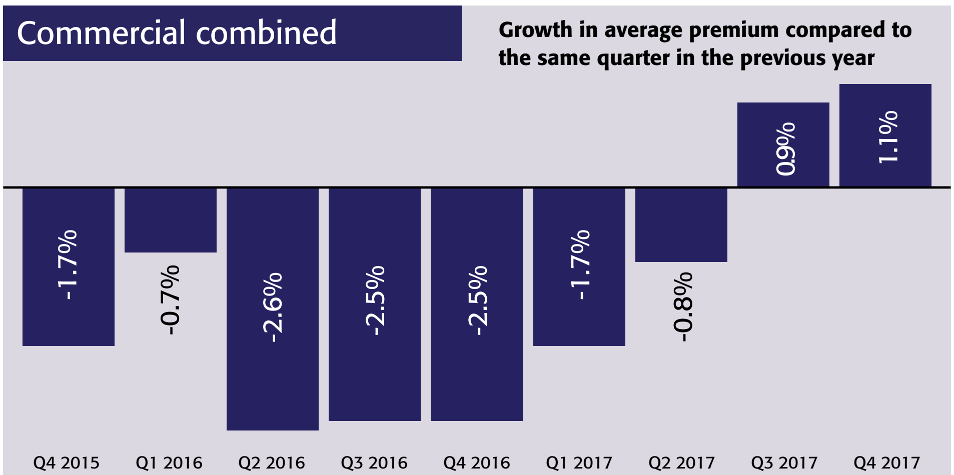
While he found the full list of Acturis stats to be a fair reflection of the market, ▹

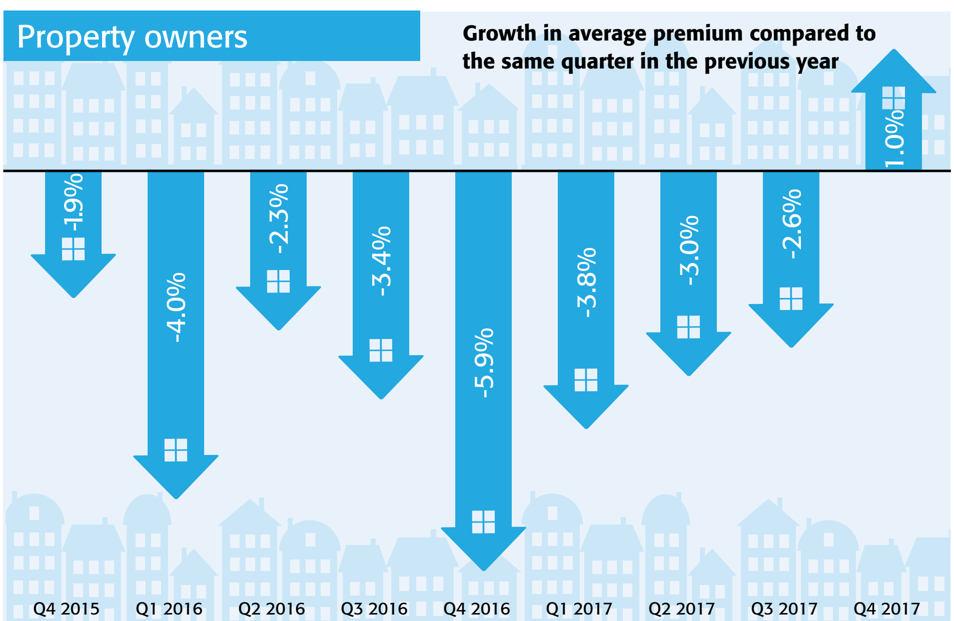












tradesman was the one out of sync with the insurer's experience.

As to why the Acturis numbers for both lines were far from booming, he suggested: "It is due to continuous competition and more online solutions as insurers are being more efficient. As a result the operating benefits are being transferred to price."

And to be fair his view of "efficient operating solutions" was mirrored by other interviewees too.

Which just leaves commercial combined, which nudged up by 1.1% and a rare sighting on the list of risers: property owners, which grew 1.0%. It posted the first increase since March 2015 and only the fifth in the last seven years, or 28 quarters depending on your preferred measurement.

Finch observed: "Insurers have always liked property owners because it is generally profitable. But we are no longer seeing the reduction in rates, they are not going backwards."

The overall sentiment from the review of the final figures for 2017 is that now is a good time to be a broker. Beck said there is every reason to be "upbeat" and insurers sound optimistic too.

As Jones concluded: "We are positive and look at 2018 as an opportunity." ■

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.