



Condition stable

Acturis analysis of the commercial lines market in 2009 reveals that the struggling economy cancelled out the effects of rate increases and, overall, the market remained soft

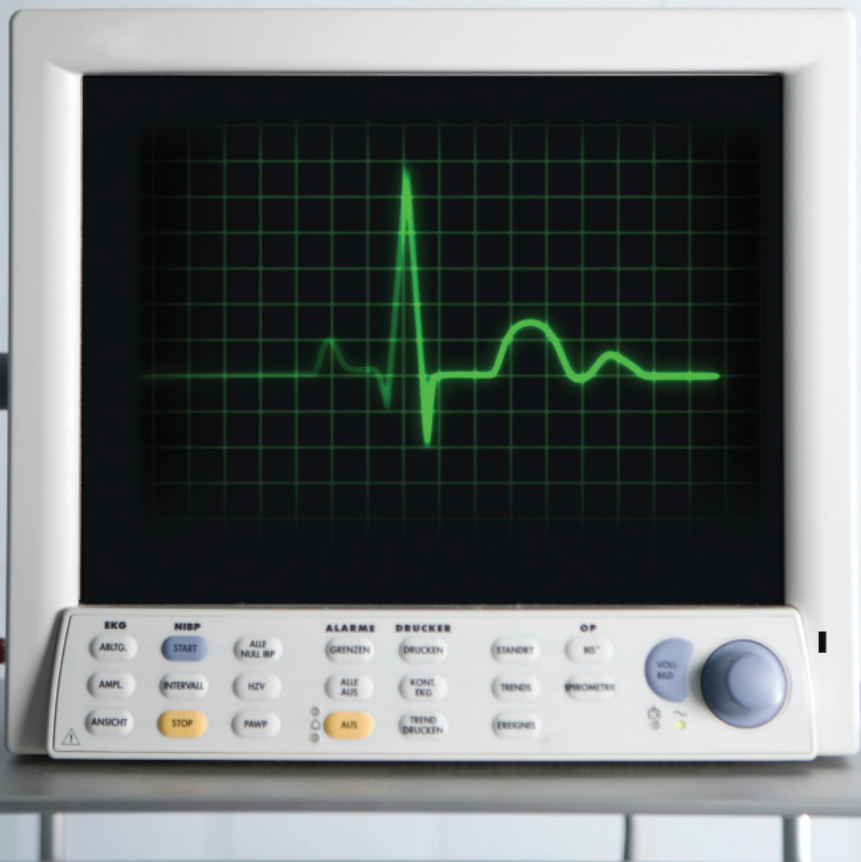
THE SOFT MARKET lingered through 2009, Acturis's preliminary annual data confirms. Business analyst Theo Duchen says: "Despite some promising signs, 2009 has not ended well and average premiums for most classes are no higher than they were in 2008, and below 2007. "Hopefully in 2010 the positive signs from Q2 and Q3 2009 will continue, and average premiums will increase as the economy improves."

HOW THE FIGURES WERE CALCULATED

All renewal and new business trades on the Acturis system in a particular class for 2007, 2008 and 2009 with extreme values removed:

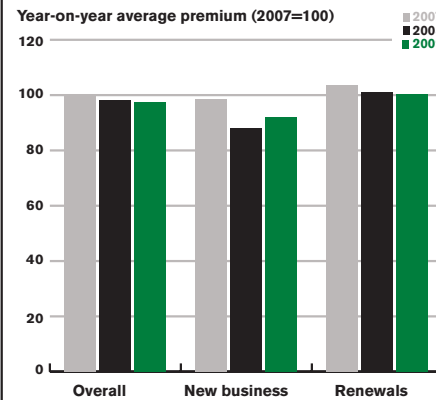
- Combined** £500-£65,000 premiums
- Packages** £50-£4,000 premiums
- Property owners** £125-£60,000 premiums
- Fleet** £500-£60,000 premiums

Property owners includes commercial, residential and mixed business.

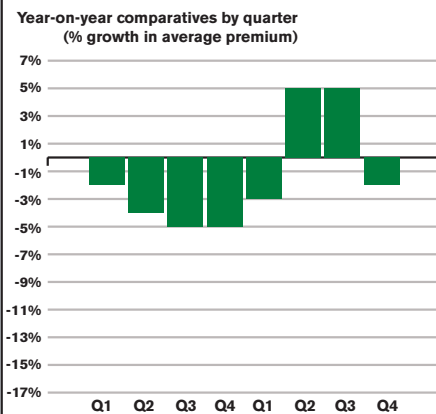


THE Q4 2009 DATA CONTAINS DATA UP TO THE END OF NOVEMBER 2009 AND SO IS PURELY AN INDICATOR. TRUE Q4 2009 DATA WILL BE AVAILABLE LATER THIS YEAR

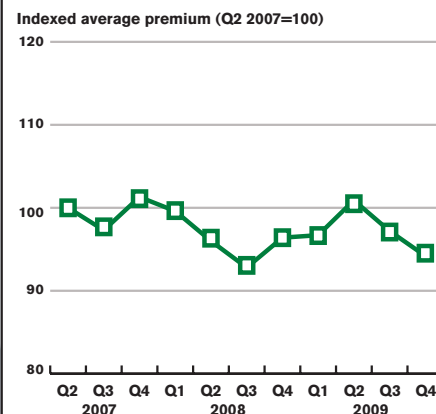
Commercial combined



Taking the overall average premium for commercial combined for 2009, we see a 1.46% increase from 2008 to 2009, primarily driven by the 4.2% increase in new business premiums. But the total premiums for 2009 remain at 97.5% of the values for 2007.

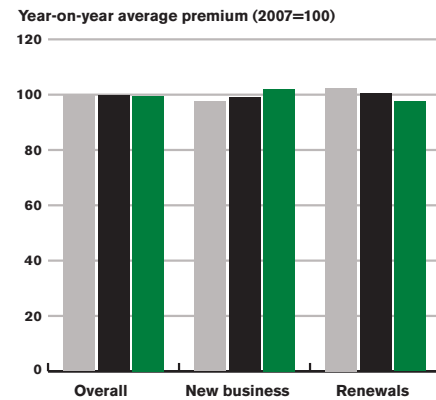


Looking at the year-on-year comparatives by quarter, the indication for Q4 2009 is a drop compared to Q4 2008 (this analysis does not yet include December). A strong showing during Q2 and Q3 has resulted in an overall increase in average premiums for the year compared to 2008.

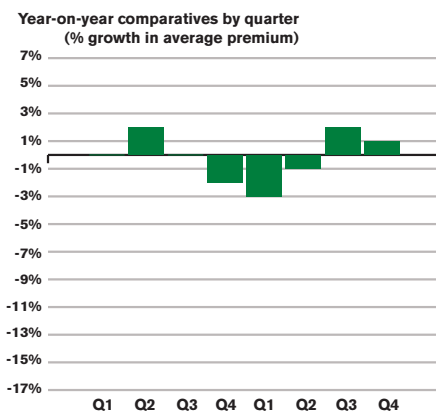


In Q2 2009, we saw indexed quarterly average premiums above those in Q2 2007. The second half of the year did not continue the trend: average premiums now stand at some 15%-16% less than they were when the index started in Q2 2007.

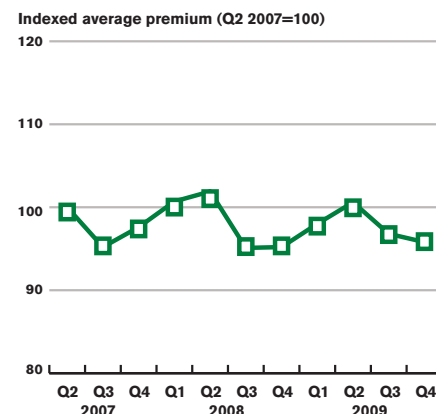
Motor fleet



In comparison to the commercial combined analysis, the motor fleet index has had a relatively quiet year, with average premiums staying almost flat.

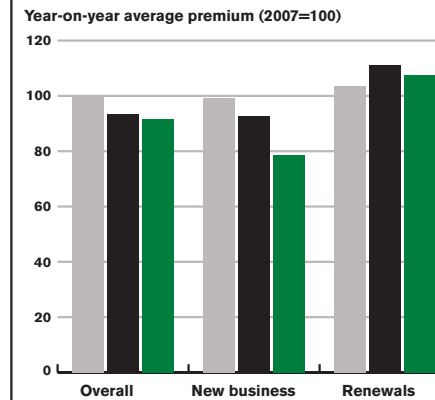


The year-on-year comparison for 2009 average premium has fallen by just 0.4% from its 2008 level. This very small drop has been facilitated by the combination of the small rise in new business premium being slightly overpowered by the small drop in renewal premium.

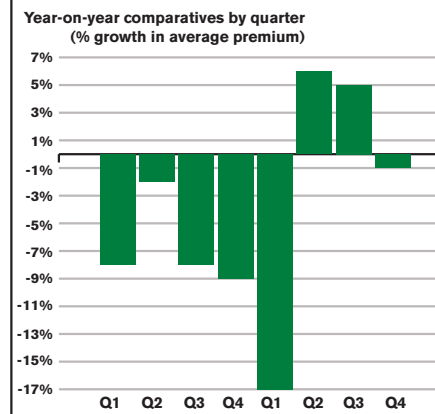


Looking at the quarterly indexed average premium compared to the equivalent quarter a year earlier, we can see that the last two quarters are slightly up on the 2008 equivalents. Hopefully, this will have carried through into December 2009, and/or into 2010.

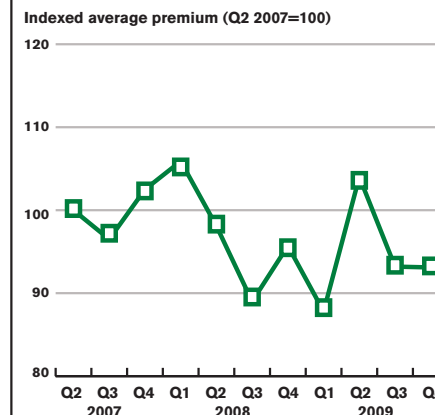
Property owners



Over the year, the average premium for property owners also dropped by some 2% from 2008. While the drop is less severe than the 2007 to 2008 drop, it is nonetheless disappointing to see 2009 end with another reduction. It is also worth noting that this is the only index in which both new business and renewal year-on-year average premium has dropped.

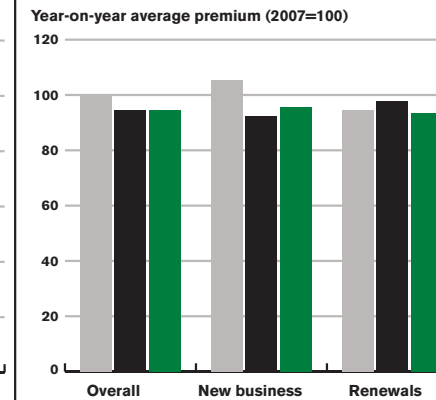


Looking at the quarter-on-quarter comparisons, we can see that the positive momentum from Q2 and Q3 has not yet carried through to Q4, which is relatively flat compared to a year earlier.

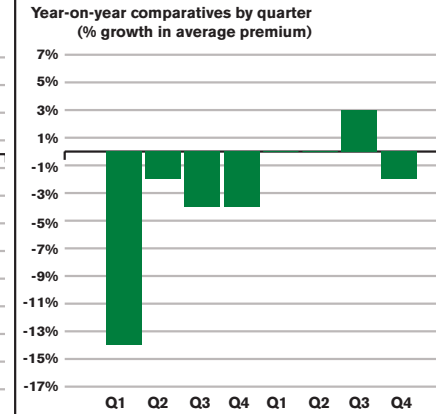


The indexed average premium also shows a flattening off of average premium, which now stands at roughly the same value as it was a year ago, and some 17%-18% lower than it was in 2007.

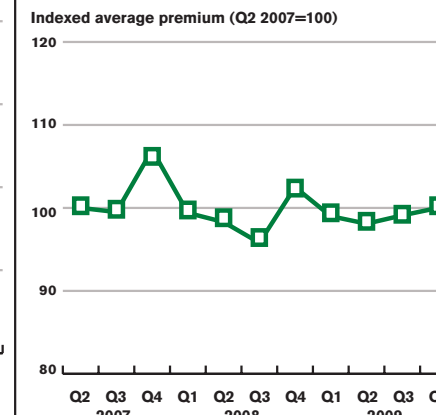
Packages



The packages index is currently showing a small 0.1% increase in average premium from 2008 to 2009, bringing the premiums to 94.7% of the 2007 level. As with the combined and fleet indices, this change in overall premium from year to year has been brought about by an increase in new business average premium and a reduction in renewal average premium.



Our early data for Q4 suggests that the year-on-year comparatives by quarter are negative for Q4 (in other words, Q4 2009 average premium is 2% less than Q4 2008), undermining some of the positive signs we have seen in this class in Q1 to Q3.



Average premium over 2009 have been flat, as shown by the indexed quarterly average premiums showing little variation through the year. **IT**