



Time for a turnaround

Software house Acturis offers promising news as average premiums continue to increase in the commercial lines market

Acturis has analysed the aggregate trading data on the Acturis system for selected classes of commercial lines business in Q3 2009. According to Acturis business analyst Gareth Hurst: "After last quarter's positive note, we are still seeing promising signs of continued increases in average premium over this quarter – particularly the quarter-on-quarter increases (Q3 2009 versus Q3 2008), which have shown encouraging average premium growth of 2%-5% across all classes on a like-for-like basis."

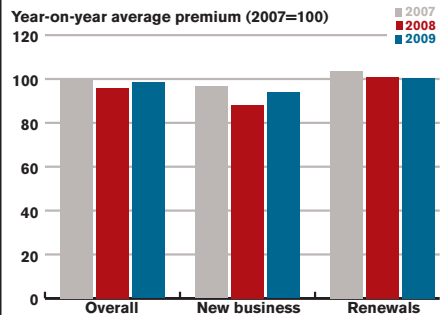
HOW THE FIGURES WERE CALCULATED

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

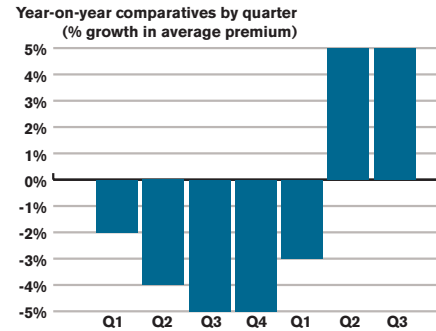
- Combined** £500-£65,000 premiums
 - Packages** £50-£4,000 premiums
 - Property owners** £125-£60,000 premiums
 - Fleet** £500-£60,000 premiums
- Property owners includes commercial, residential and mixed business.

Commercial combined

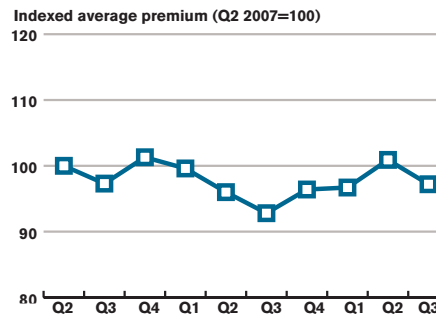
Commercial combined premiums, which represent some 20%-25% of a typical broker portfolio, have continued the trend of increases in average premium for the second quarter in a row. The year-on-year comparatives exhibit an increasing trend relative to 2008, with most of the growth still coming from new business increases.



For the second consecutive quarter, the year-on-year comparatives by quarter are showing positive growth, with the average premium in Q3 2009 showing another 5% increase over Q3 2008.

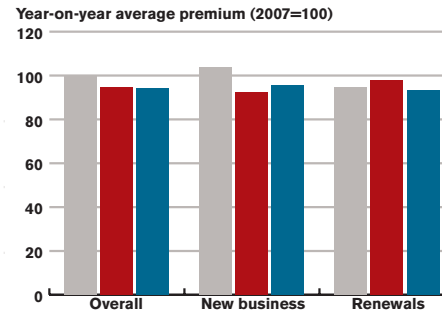


The average premium for renewals has dropped slightly from Q2, but this is consistent across the Q2 to Q3 movement in 2007, 2008 and 2009.

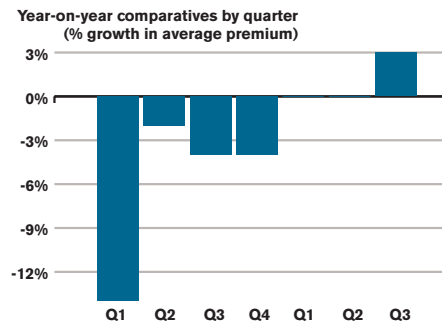


Packages

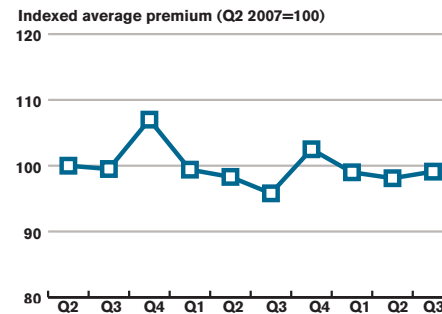
Packages include all popular SME and micro packages (for example, tradesman, shops and offices) and typically total some 10% of a broker's portfolio. Taking a look at the year-on-year comparatives for average premium, the 2009 overall value is now at -0.3% of the value for 2008, which is a slight increase from the value after the Q2 quarterly statistics were extracted (value was at -0.4%). New business continues to increase relative to 2008, while renewals continue to reduce.



For the first time in this class, the year-on-year comparative by quarter is showing an increase. In Q3 2009, average premiums grew by 3%, when compared to Q3 2008. After a slowing of the decline in Q1 and Q2 of 2009 (values of -1% and 0%, respectively), this could be showing that package premiums are finally beginning to climb up and out of the trough that has been seen recently.

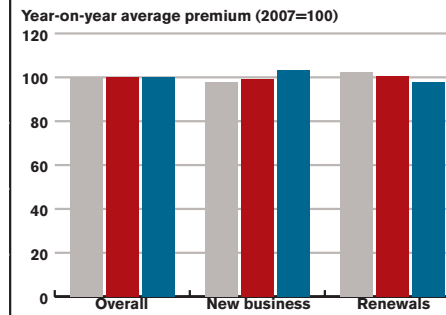


Unlike all the other product indices and the previous two years data for packages, the packages indexed average premium shows an increase of 1% in average premium between Q2 and Q3, bringing the premium to 99.1% of the average premium in Q2 2007.

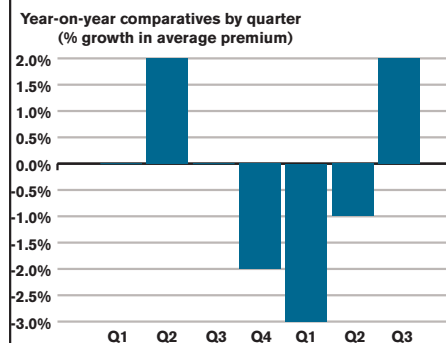


Motor fleet

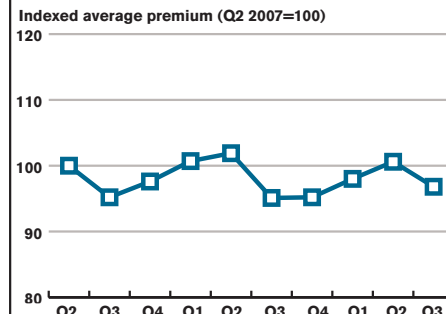
Motor fleet business represents some 20% of a typical broker portfolio. Beginning with the year-on-year comparatives for average premium, it can be seen that the overall average premium since 2007 has been relatively stable, with the 2009 value now sitting at 100.1% of the 2007 value. As in the Q2 analysis, we can still see that the breakdown of this overall premium has not been so stable, with new business average premiums rising, while renewal premiums are falling.



Looking to the year-on-year comparatives by quarter, we can see that for the first time since Q2 2008, the growth in average premium is increasing, with Q3 2009 up 2% on Q3 2008. This looks positive for the future.

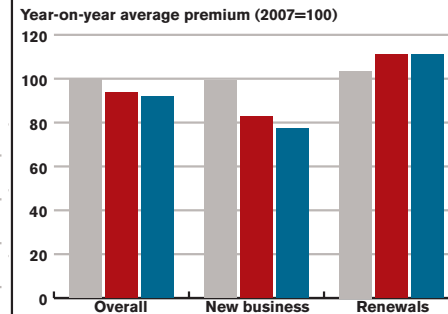


The trend of a drop in indexed average premium for Q2 to Q3 has also occurred for fleet, but this drop has not been as sharp as in previous years (only a 3.8% drop compared to 6.7% in 2008). There is a cyclical drop in average premium every year between Q2 and Q3 and it is difficult to separate out these from underlying changes. Moreover, the indexed value in Q3 2009 remains higher than the equivalent in Q3 2008.

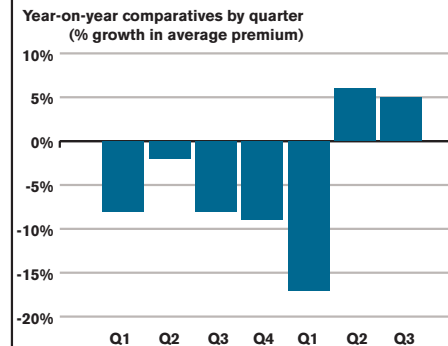


Property owners

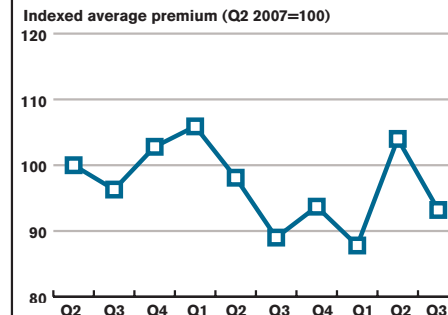
This includes all property owners-related premiums from £500 to £65,000. For property owners, we are seeing a continued slight reduction in the overall average premium for Q1-Q3 2009 versus the full year for 2008.



Encouragingly, the year-on-year comparatives by quarter continue to paint a more attractive picture, with Q3 2009 showing 5% growth when compared to the same period in 2008, continuing the positive growth seen in Q2 2009. This is a very promising sign because it reflects positive growth in 'like for like' average premium.



When looking at the indexed average premium, we can see a drop for Q3 2009 relative to the previous quarter. Despite this drop, however, the premium remains some 4% above where it was in Q3 2008. **IT**



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