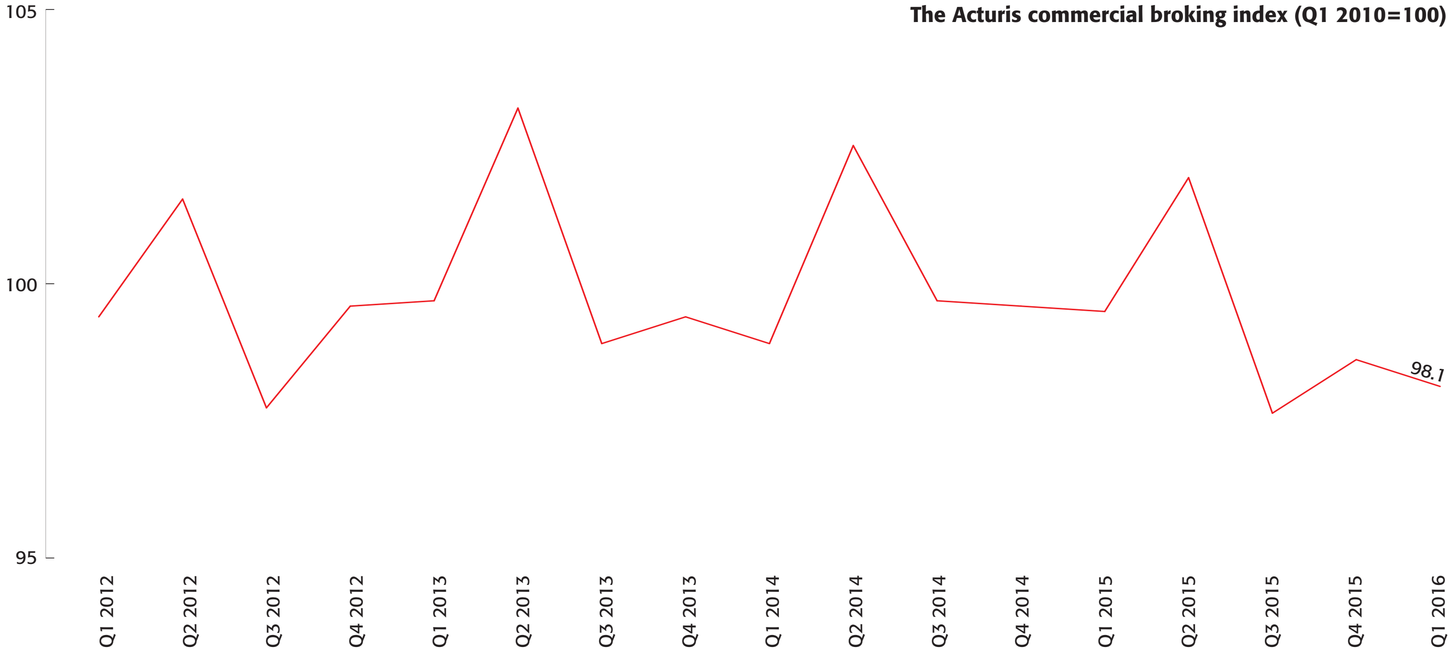
THE STATS – THE ACTURIS PREMIUM INDEX



● The world of commercial insurance remains a dark place, despite the promise of sunshine and warm summer nights. The latest Acturis Premium Index showed an overall flat market, with experts stating they do not expect any change in the near future.

Property owners, packages, commercial combined and fleet all declined in the first quarter of 2016 compared to the same quarter last year, while commercial vehicle, combined liability and tradesman saw differing increases.

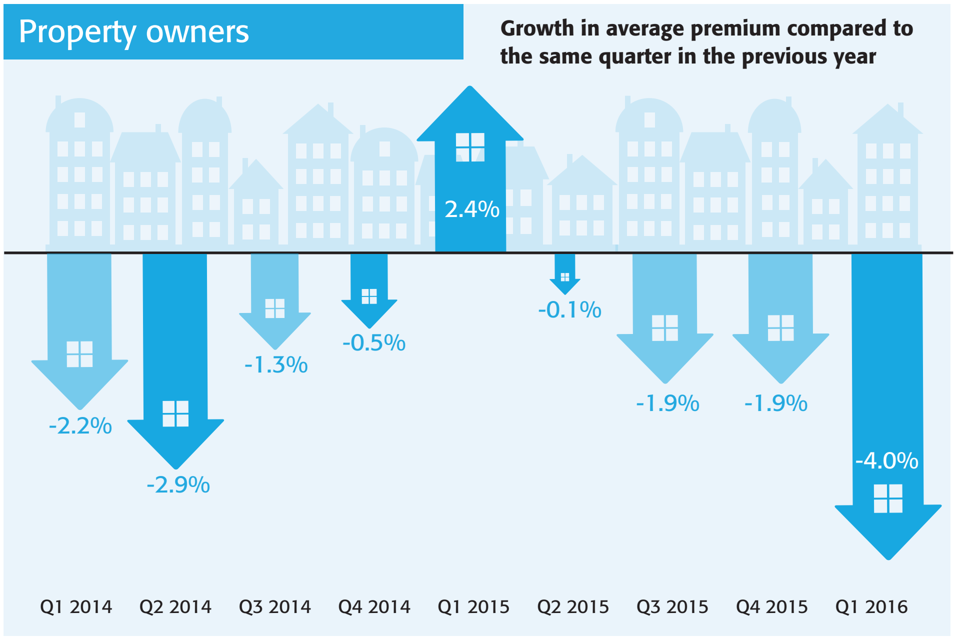
The Acturis Commercial Broking Index, which measures average premium movements across key lines in a typical broker's book of business (see box), was down 1.4% (see graph). It also landed below the baseline – which is the first quarter of 2010 – at 98.1.

Diving in to look closer at the individual lines, let's start from the deep end with the biggest faller of the quarter, property owners. It dropped 4% compared to the same period of 2015 and came in relatively far below the 2010 baseline at 92.9.

Martyn Holman, who runs the broking division at Markerstudy Group, was not surprised. "It's a competitive market with a lot more people wanting to write it because the loss ratios are good," he said.

Holman added: "Looking at the percentage changes that has shown the biggest drop latterly and that is mainly because there is just more competition in that sector now. It is seen as an area where underwriters can make money."

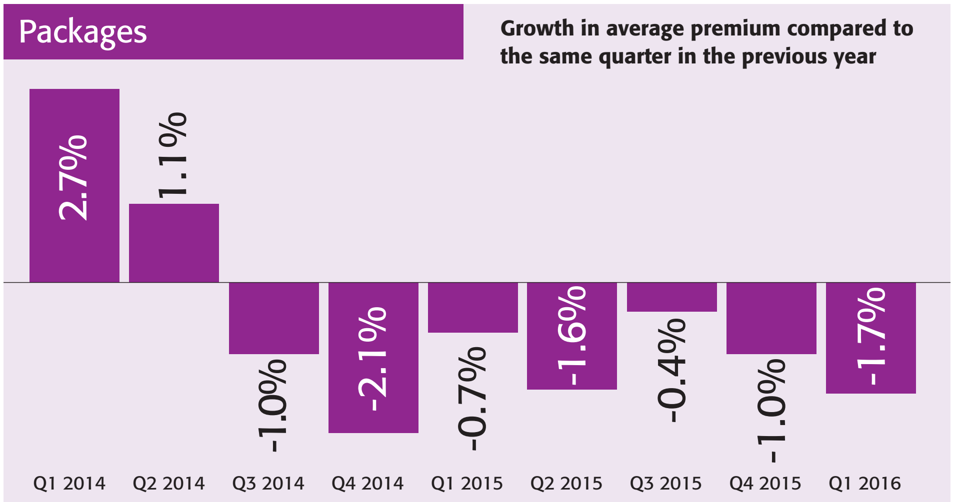
The next biggest faller was packages which dropped by 1.7%. Its negative trend started

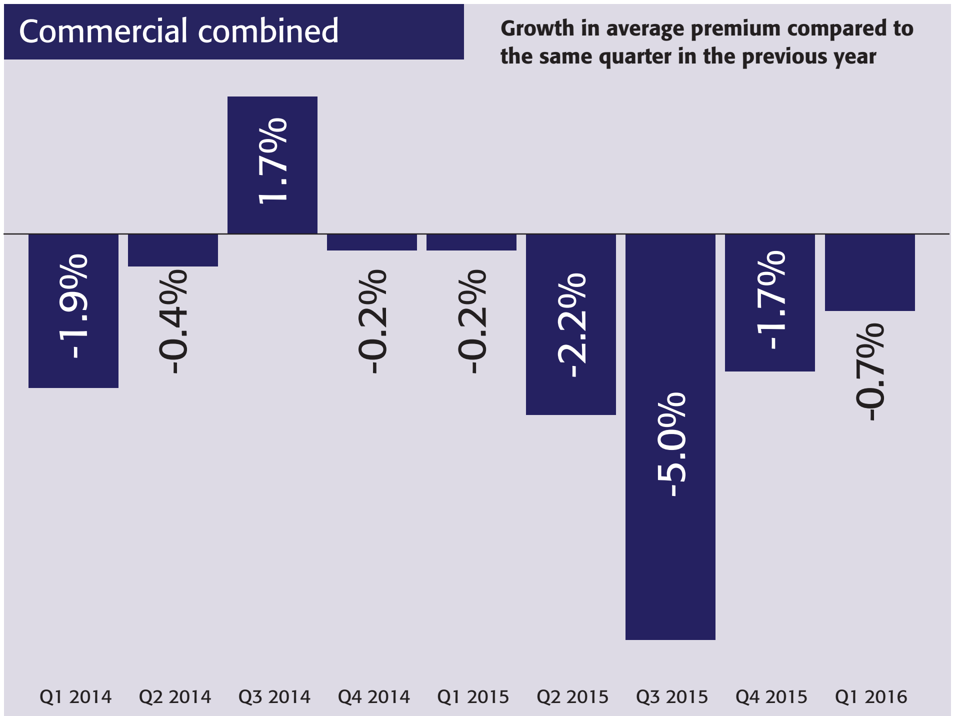


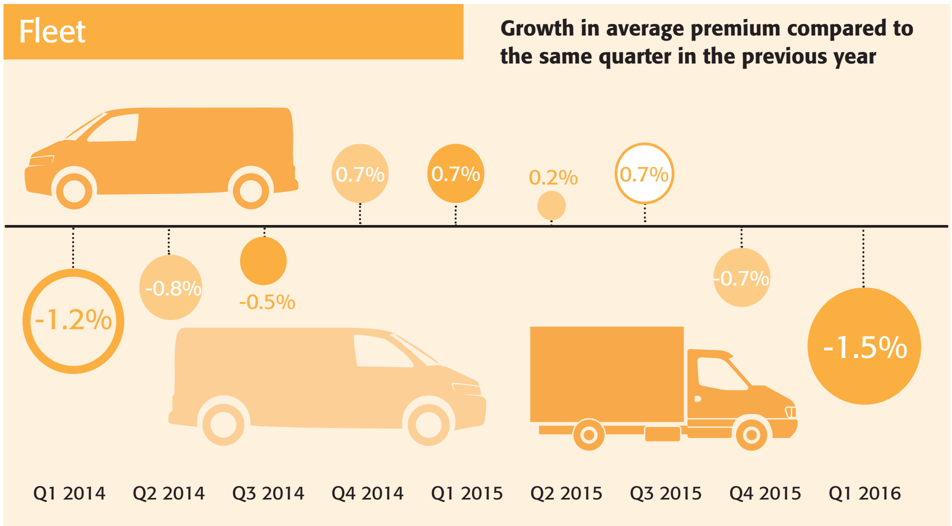
Explaining the figures

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.







in the third quarter of 2014, but it can still be found just above the baseline at 101.3. None of the experts *Insurance Age* spoke to expressed any surprise about packages, with all of them agreeing that the statistics reflected what they had seen in the market.

This leaves two more lines that posted decreases: commercial combined and fleet both substantial parts of a typical broker's commercial book.

The former dropped 0.7%, continuing its negative streak which has been going on since the fourth quarter of 2014.

Simon Cooter, commercial lines and high net worth director at Covéa Insurance, said there was a lot of pressure on rates at the moment and that it "probably feels a bit tougher out there".

"We're writing less new business in commercial combined than we were before," he added. "Not because our appetite has changed but because the market has become more aggressive. Some people do silly things on price."

Cooter continued: "In commercial combined insurers' property book will traditionally perform better than their liability book. If the floods we experienced last year happen again this year and happen again next year for example, then you would expect to see upwards pressure on rates.

"But our team has seen no discernible change in the rating environment in the first quarter following from the floods at the end of last year."

In addition, fleet fell by 1.5% – its second quarterly decline having fallen in the final quarter of 2015. Holman noted that fleet's general performance over the last five years surprised him.

"It has stayed pretty much exactly as it was five years ago when during that period you would have expected to have seen a claims cost increase," he said. "But I think that is probably countered by the additional use of telematics and cameras which are smoothing out the effect of rate.

"Although some of the costs may have gone up I would imagine some of the driving behaviour has improved because of that and so the rates have stayed pretty much where they are."

Moving on to the positives, commercial vehicle has enjoyed a 4.8% jump and can be found above the baseline at 113.2. This is the first time it has seen a positive movement since the second quarter of 2014, when it went up by a mere 0.2%.

Cathy Taylor, head of commercial underwriting and operations at Ageas Insurance, described the movement as "interesting".

"That's probably a bit more than I would have thought," she added, noting that in her view there had been very little change in the market.

According to Holman, the reason commercial vehicle has risen relatively high ▷

above the 2010 baseline is that the market for it was very soft five years ago and the rates "needed to go up".

He commented: "But it has not gone up quite as much in the last couple of years as it did in the previous ones which would indicate that it's a more stable market. Claims cost has probably plateaued a bit and so the rating is a bit more stable now."

Meanwhile, combined liability rose by 1.2% compared to the same period in the previous year.

"If you look at commercial liability you see shifts up and down throughout the year, but the reality is it has come back to pretty much where it started," Cooter noted. "Liability rates should be going up, there's no question about it. Insurance rates should be going up."

Last but not least, tradesman went up by 2.4% and can be found relatively high above the baseline at 117.1. This is the highest above the baseline of any of the business lines.

"That historically has been a market where underwriters have made decent money and there has been some increasing competition coming in there," Holman stated.

He added: "It's still a very competitive market with a lot of insurers and a lot of brokers pushing business, so historically you'd expect rates to go the other way. But it might be that it was just a little bit too cheap to keep being sustainable on either front."

Taylor added: "I thought tradesman was probably a bit more competitive than that would indicate there, but looking at it it's really quite flat."

All in all the industry experts *Insurance Age* spoke to agreed that the statistics represented the state of the market fairly well and that the outlook was relatively grim for the current flat market with no major changes expected to come in the next couple of years.

"For the last year there hasn't really been anything that has given any change," Taylor noted, adding that it is a reflection of the competition in the market.

She continued: "As part of Ageas we see business moving around where you know those books have burnt another insurer but someone is still going to pick them up. Sometimes I wonder what data they are looking at."

Anthony Purves, director at Citynet Insurance Brokers, commented: "There are lots of people out there and lots of new entries and you've got to be cheap to pick business up or do something different."

He further predicted that the market will stay as it is, adding that there had not been a significant change for the last 12 to 13 years. "Barring someone of the major composite markets pulling out of the commercial business or announcing that they're making losses and putting rates up with others to follow, I think we are where we are and the market is the market unfortunately," he concluded. ■