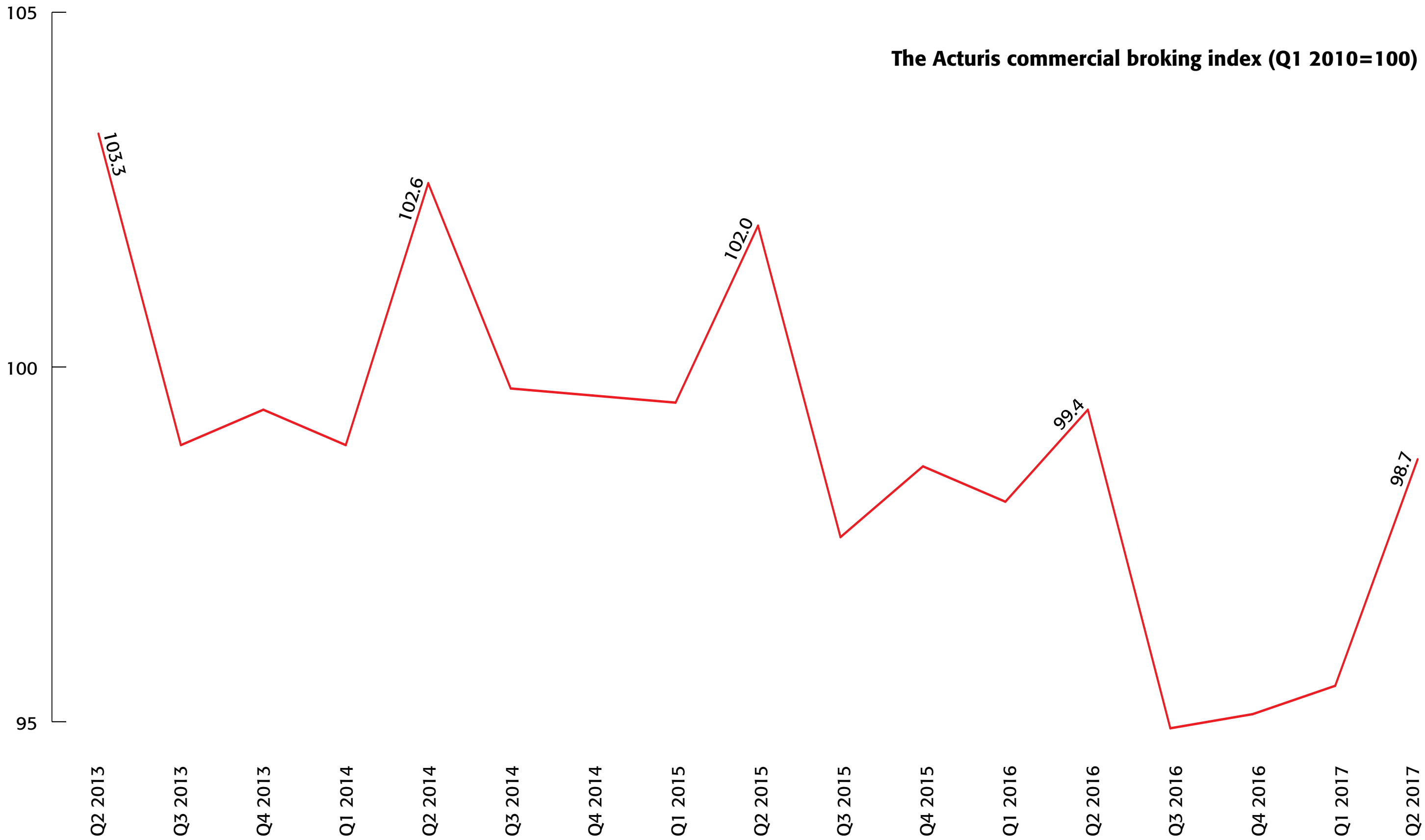
THE STATS – THE ACTURIS PREMIUM INDEX



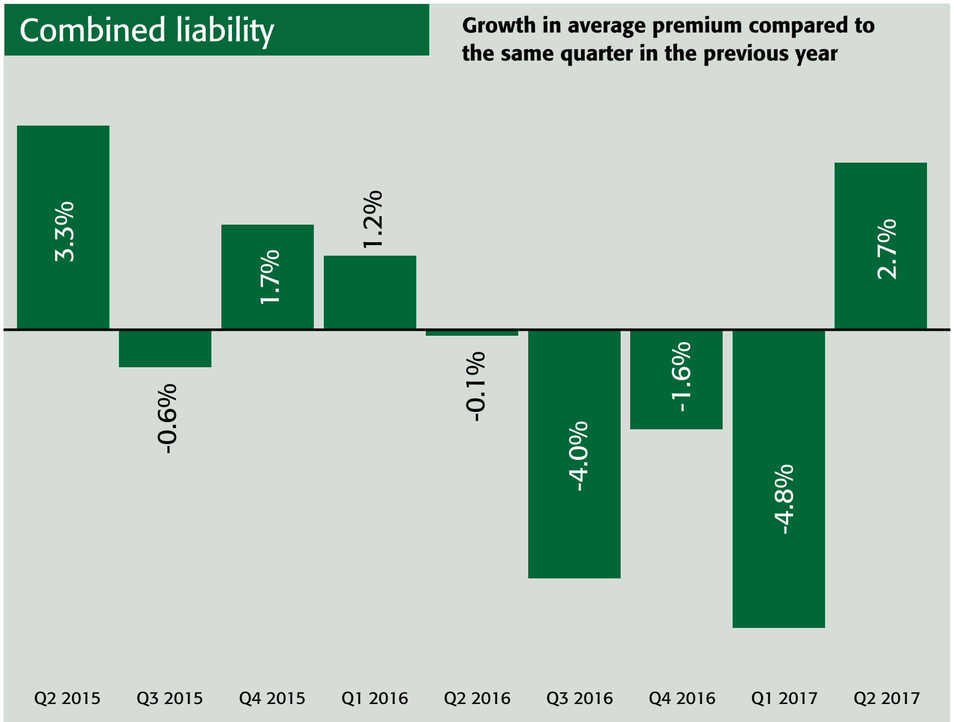
BY JUDITH UGWUMADU
judith.ugwumadu@incisivemedia.com
@InsuranceJudith

The bad news for brokers in the Acturis Premium Index was another fall in the average premiums of a typical commercial broker's book of business (see box on page 45). When measuring each quarter with the same period of the year before it is the ninth time in a row it has dropped, this time by 0.6%.

There were however some positive movements in the second quarter with four lines showing year-on-year increases.

So, even if the net effect was that the fallers – of which there were three – outweighed the risers, let's start with those on the up.

"Market rates are definitely showing signs of hardening by the underwriters across some lines of business, especially ones with a liability element," Peter Blanc, group chief executive officer, at Aston Scott explained. ▹



"This is the market's fully considered response to Ogden."

The Ogden rate – also known as the discount rate – was changed from 2.5% to minus 0.75% in February by then Lord Chancellor and Justice Secretary Liz Truss. It is used to determine how much insurance companies should pay to people who have suffered life-changing injuries.

"The message that we are giving out to clients is that if they are in any high risk industries, anything with a high liability focus, like construction, haulage, passenger transport, then we are warning them that Ogden is having a significant effect," Blanc said.

Steve Swinburne, technical underwriting manager at Direct Group, made a similar point, saying that the "Ogden effect" was starting to take its course.

Adding: "When reinsurance renewal season comes around the real impact will definitely be felt."

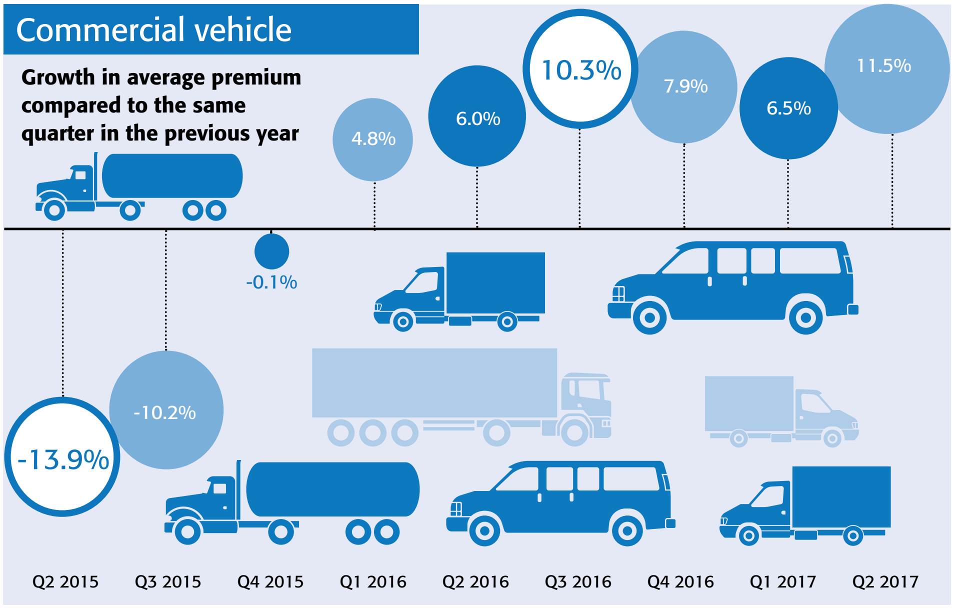
Turning to the individual lines, combined liability was up 2.7% in the second quarter. According to experts this was mainly driven by Ogden.

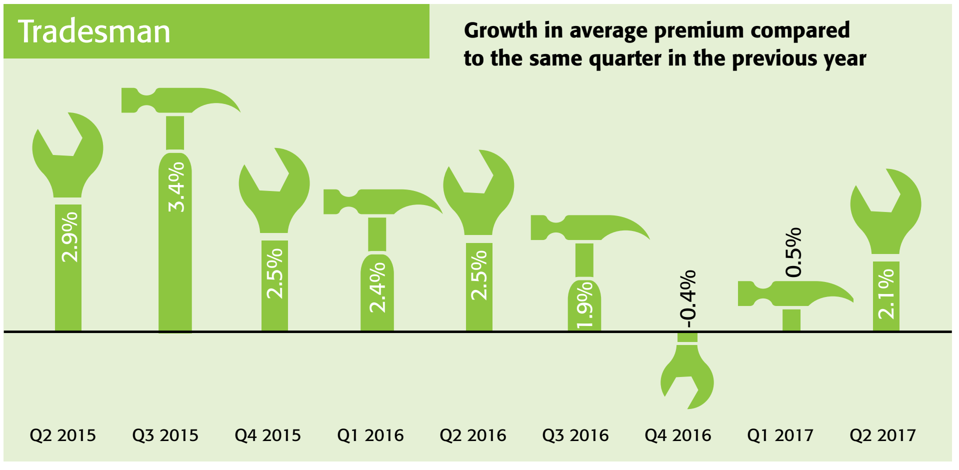
Commercial vehicle, another line acutely affected by Ogden, increased by 11.5% making it the biggest riser for the period. ▹

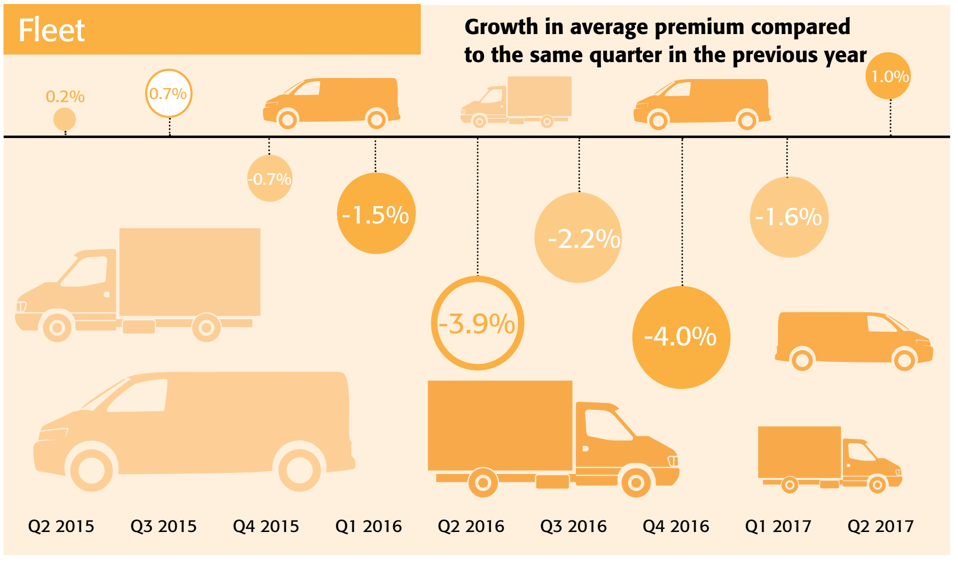
Explaining the figures

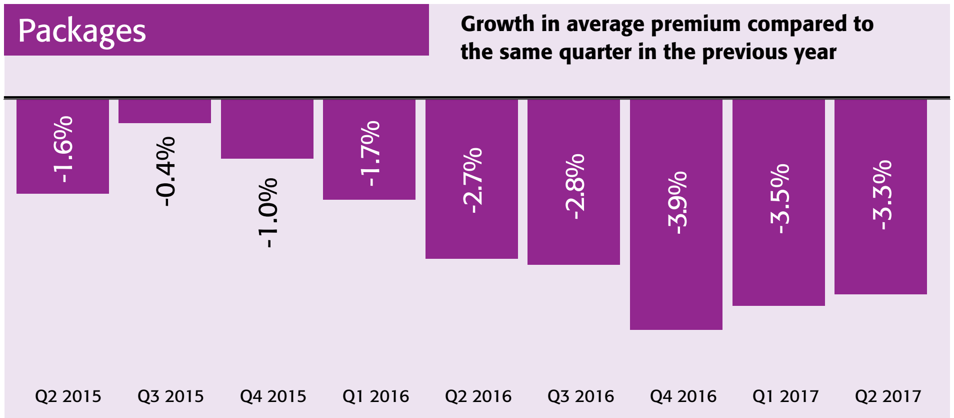
The Acturis commercial broking index consists of quarterly figures calculated on a base line of the first quarter of 2010. It has been designed to represent premium movements in a typical broker's book of commercial business. This index uses weighted figures from commercial combined (35%), fleet (25%), 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.

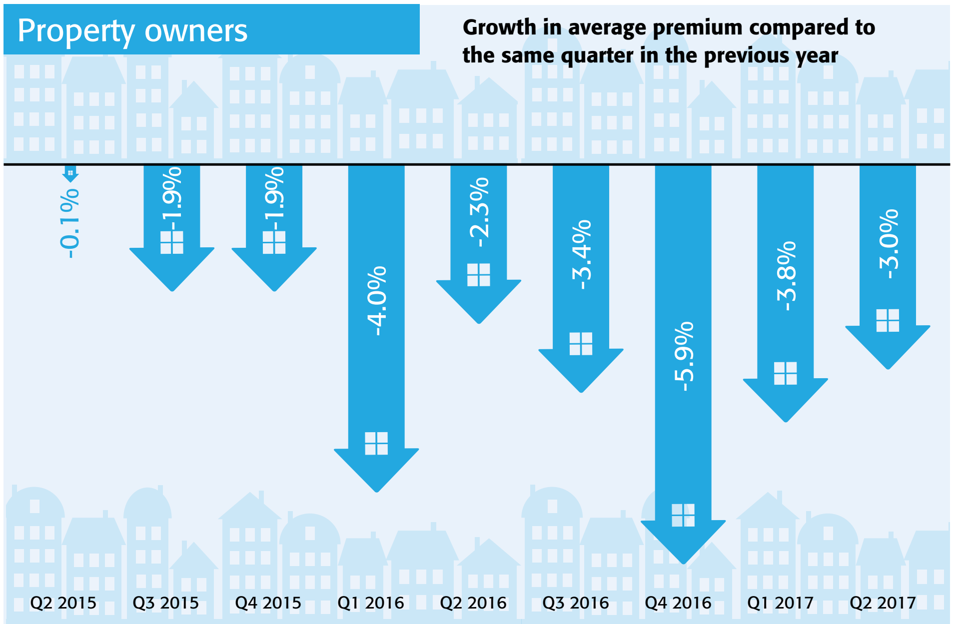
The further indices in the Acturis Premium Index covered in the text show year-on-year comparisons measured across £5bn of premium. The movements in premium can be driven by changes in the size of the risk and the level of the insurance rate. By comparing each quarter with the same period the year before it is most likely to set the pricing of similar risks against each other.

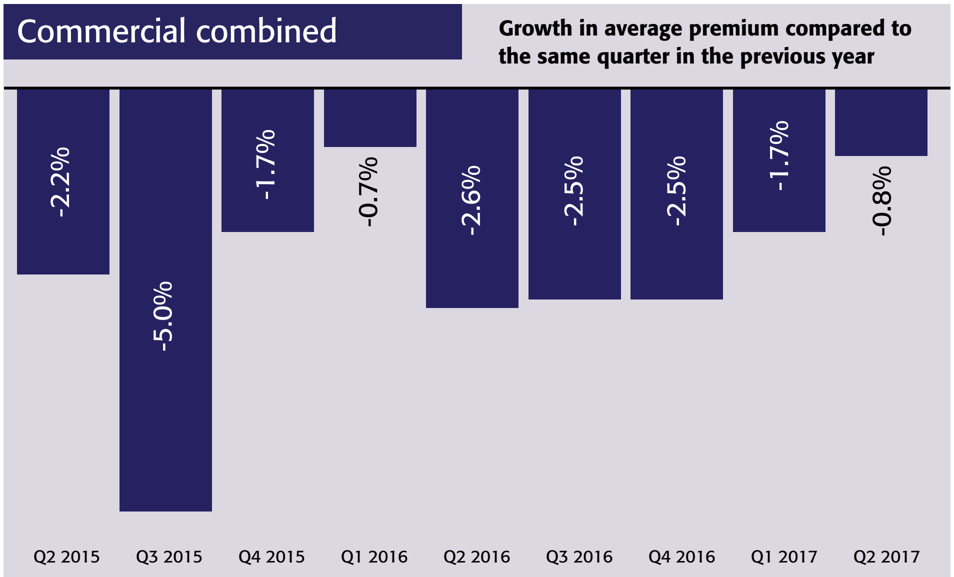












Another climber was tradesman, which posted a 2.1% jump for the quarter compared to Q2 2016.

Anne Griffiths, head of mid-market at Zurich was unsurprised by the tradesman result and also widened the discussion beyond Ogden.

"Most of the growth in the UK economy is in the SME sector and that is probably what is playing out in terms of people setting up businesses and taking out insurance," she noted.

However, turning to the final climber and it is back to Ogden.

Fleet ended its run of six quarterly falls with a 1% uplift for the three months. And as Swinburne observed: "Typically, motor insurance or road traffic accidents produce large claims with life changing injury that will be paid [to an individual] for the lifetime."

Now though it is time to tackle the fallers.

Packages fell the hardest – by 3.3% year-on-year. It is now three years since it had a positive movement and Swinburne and others questioned just how long underwriters will be able to sustain such low premiums.

Next up, or more accurately down, was property owners with a 3% drop.

Amb Insurance's operations director Peter Lycett-Williams asked a pertinent question, again related to Ogden. "Will insurers be using capacity in these [property] areas and move away from the liability risks? It looks as though insurers have certainly focused their efforts to discount property owners risks."

Commercial combined saw a much smaller reduction falling by 0.8%.

It appears then that any liability aspect pushing up the premium has been more than counteracted by the property aspect.

Looking ahead, Griffiths envisages that Q3 2017 will continue to see upward movement on the casualty and motor lines of business.

According to her, the question is whether property and some of the short tail lines can continue to take the pressure they are undoubtedly also under. ■