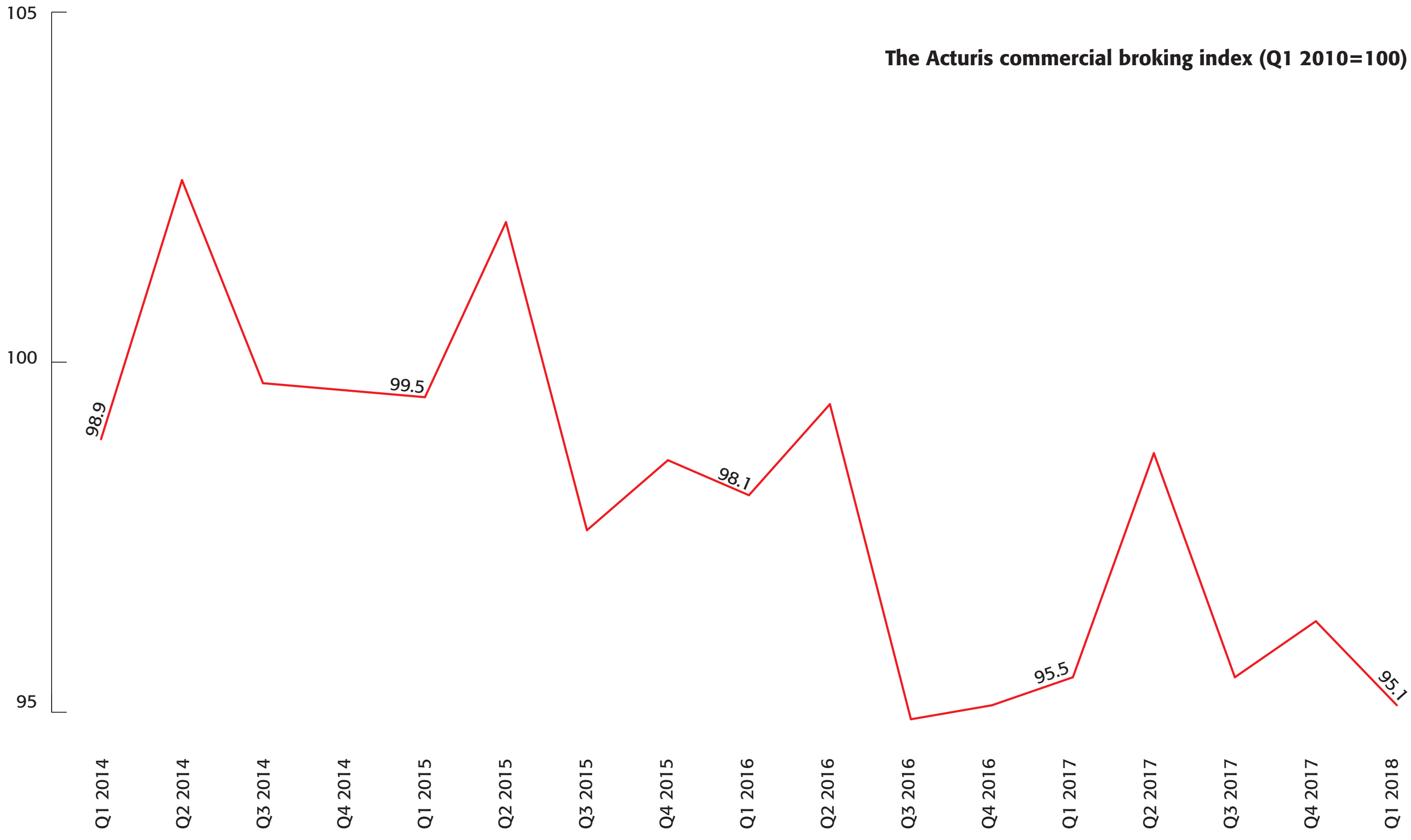
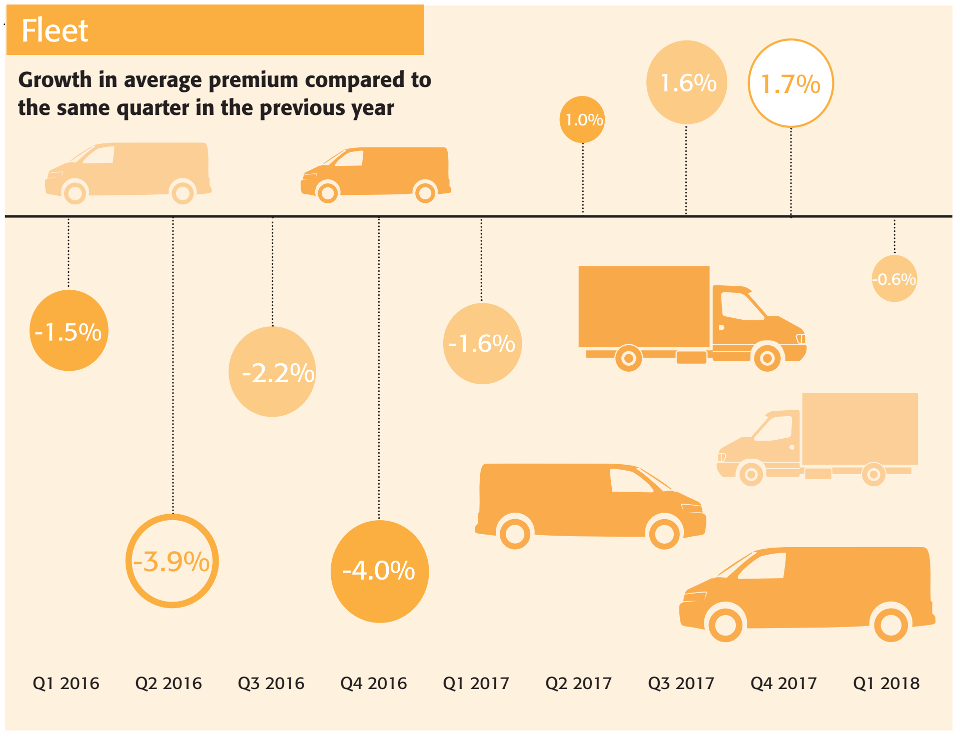
THE STATS – THE ACTURIS PREMIUM INDEX





BY EMMANUEL KENNING
emmanuel.kenning@infopro-digital.com
@brokingbod

The first set of Acturis stats for 2018 have surprised and in some cases disappointed the market.

The final quarter of 2017 had seen all lines bar packages report positive numbers. But expectations of any strengthening have been dashed with more fallers than risers in the first three months of this year.

Fleet was one that stood out with its 0.6% dip. "Frankly I am gobsmacked that the index has gone back in the first quarter," commented Simon Cooter, commercial lines and high net worth director at Covéa.

Ogden drove rises across the market in 2017 and yet fleet never motored in the manner of commercial vehicle. Does the fact it has now fallen mean insurers are booking an expected further shift in the discount rate too soon? Cooter flagged that even stripping out the Ogden factor the fleet figures do not take into account any underlying claims inflation.

"You have to be keeping track of that," he maintained.

Commercial vehicle was the biggest climber of the quarter with a 9% year-on-year leap. It's strengthening pre-dates the Ogden shift and it now has nine quarters of rises in a row. However, the experts were unanimous that Ogden remained the main factor.

Where commercial vehicle has a record of rises, property owners does not. It has only posted one rise in nine quarters (or two rises since the start of 2015 if you prefer an even longer measure).

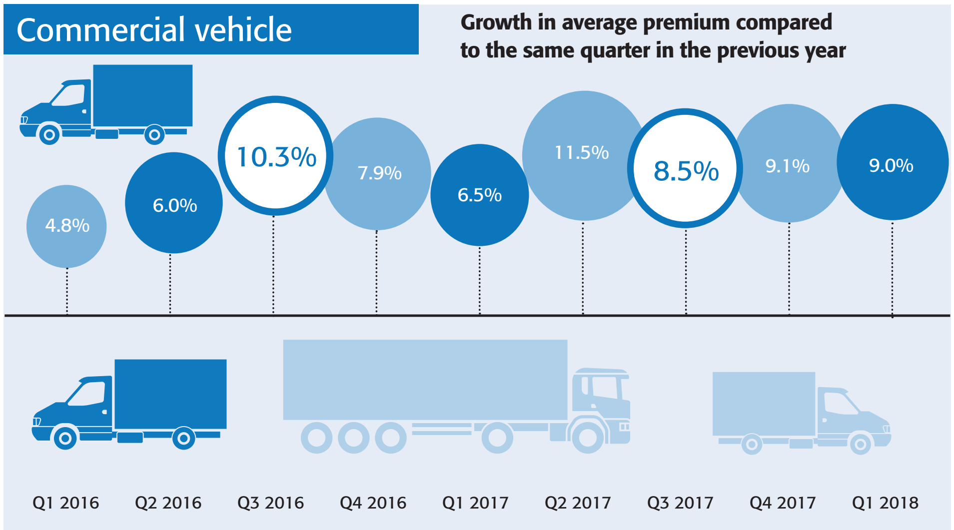
"I was surprised on fleet but not surprised on property," summed up Mark Bennett, CEO of Bennett Christmas Group. "Insurers want to keep what they have got and will discount the premium."

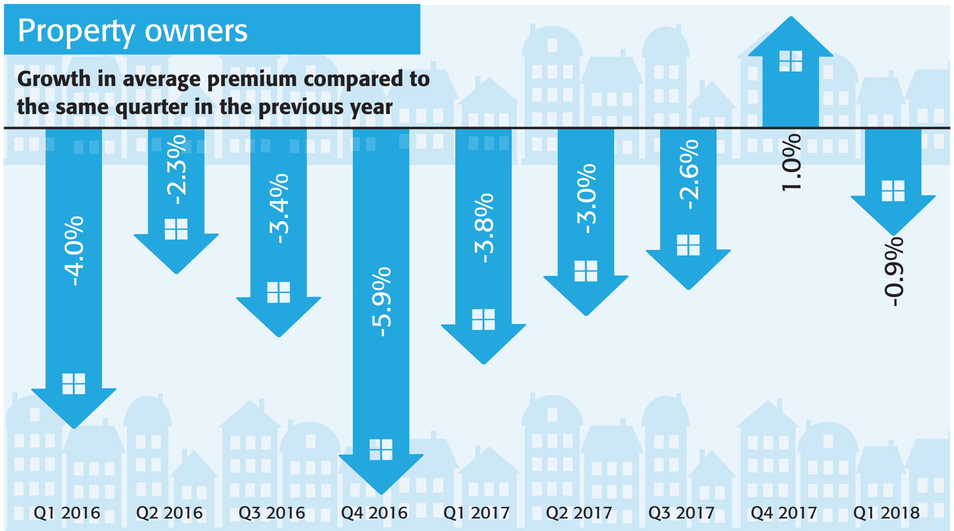
The commercial broker index (see graph opposite) is a weighted measure of a typical broker's commercial book. Commercial combined is the largest factor but dropped by 1%.

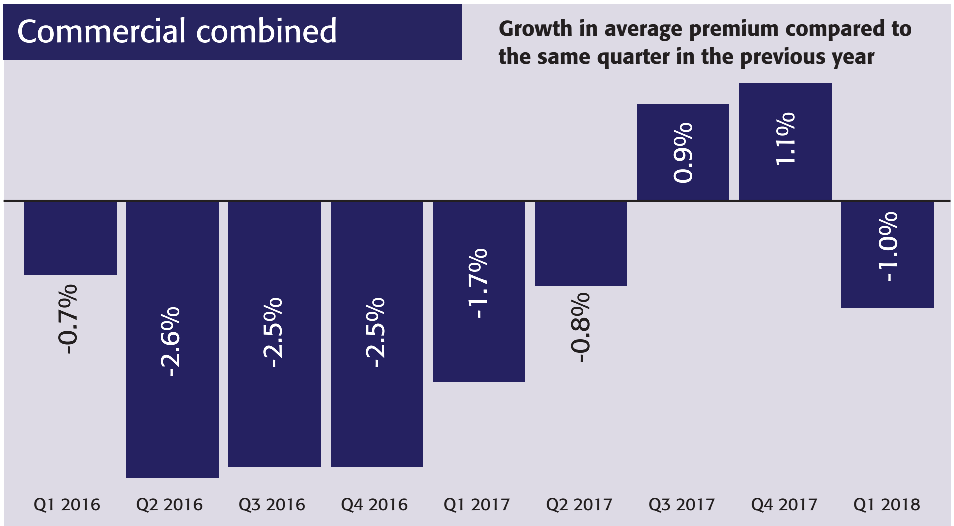
According to the CEO of Innovation Broking, Paul Dickson, the average hides another issue. "We're seeing the market offer big reductions for mid-market business where there's a track record and a low claims history," he explained. "And it's not narrowly based either, it goes from construction through to tech, property, services and manufacturing cases. Rates remain attractive."

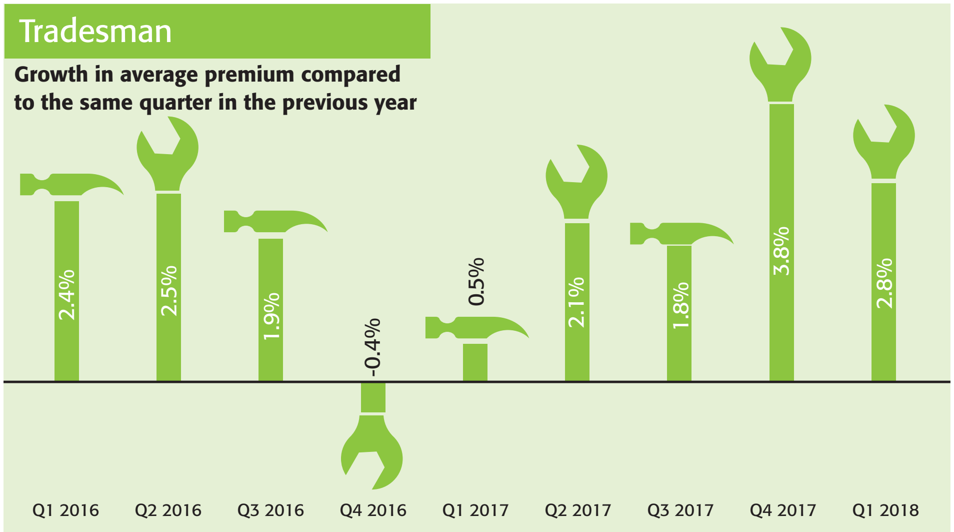
The irony is then that the better a broker's book, the more premium falls are biting. Clearly the issue of fees may negate this and the upside of better books includes higher retention rates, organic growth among clients and the chance to pursue new business opportunities. While the overall commercial broking index nudged down by 0.5% both Bennett and Dickson said they were bucking the trend.

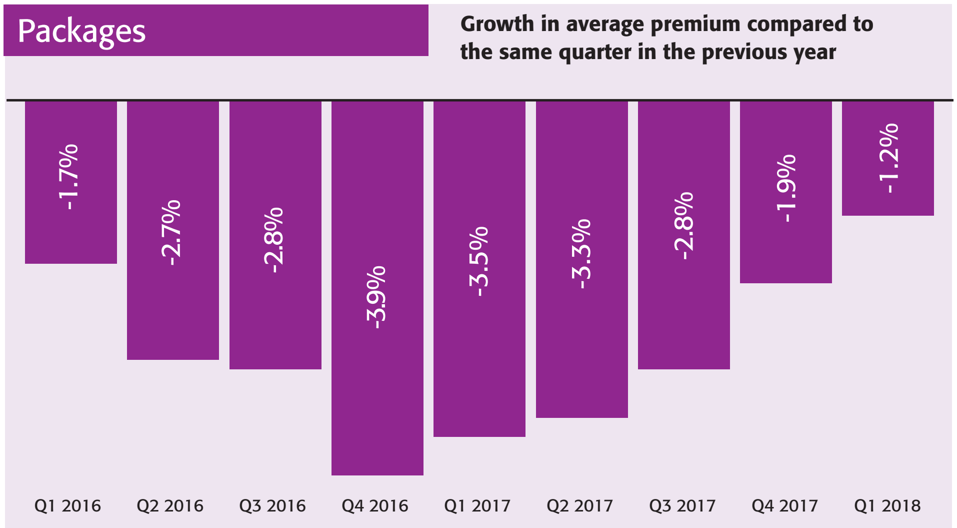
The two risers other than commercial vehicle were combined liability (up 2.9%) and tradesman (up 2.8%). Again all the experts agreed it was due to the ongoing impact of Ogden. Most said they believe ▹











these graphs will trend in the same direction for the rest of the year.

Packages on the other hand last saw any kind of rise in the second quarter of 2014. The specialists concurred that overwhelming insurer appetite in the market place as well as technology slicing away at the cost of doing business remain the main causes.

Which just leaves the future. Dickson suggested that commercial brokers had benefited over the last couple of years from the economy pushing ahead.

"The risk to brokers is a slowdown in the economy that is disproportionate in the SME sector," he concluded. "If we do see that in a highly competitive market, particularly with these trends in premium rates, then brokers will find it a tougher place to be."

While Cooter argued that premiums need to tick upwards with some of the latest stats defying logic.

"If you take out any lines without liability or motor in them then, in effect, they are either flat or going backwards. That is not good," he ended.

"I believe we will see some more positive numbers across the board across the next few quarters." ■

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 £6.7bn 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.