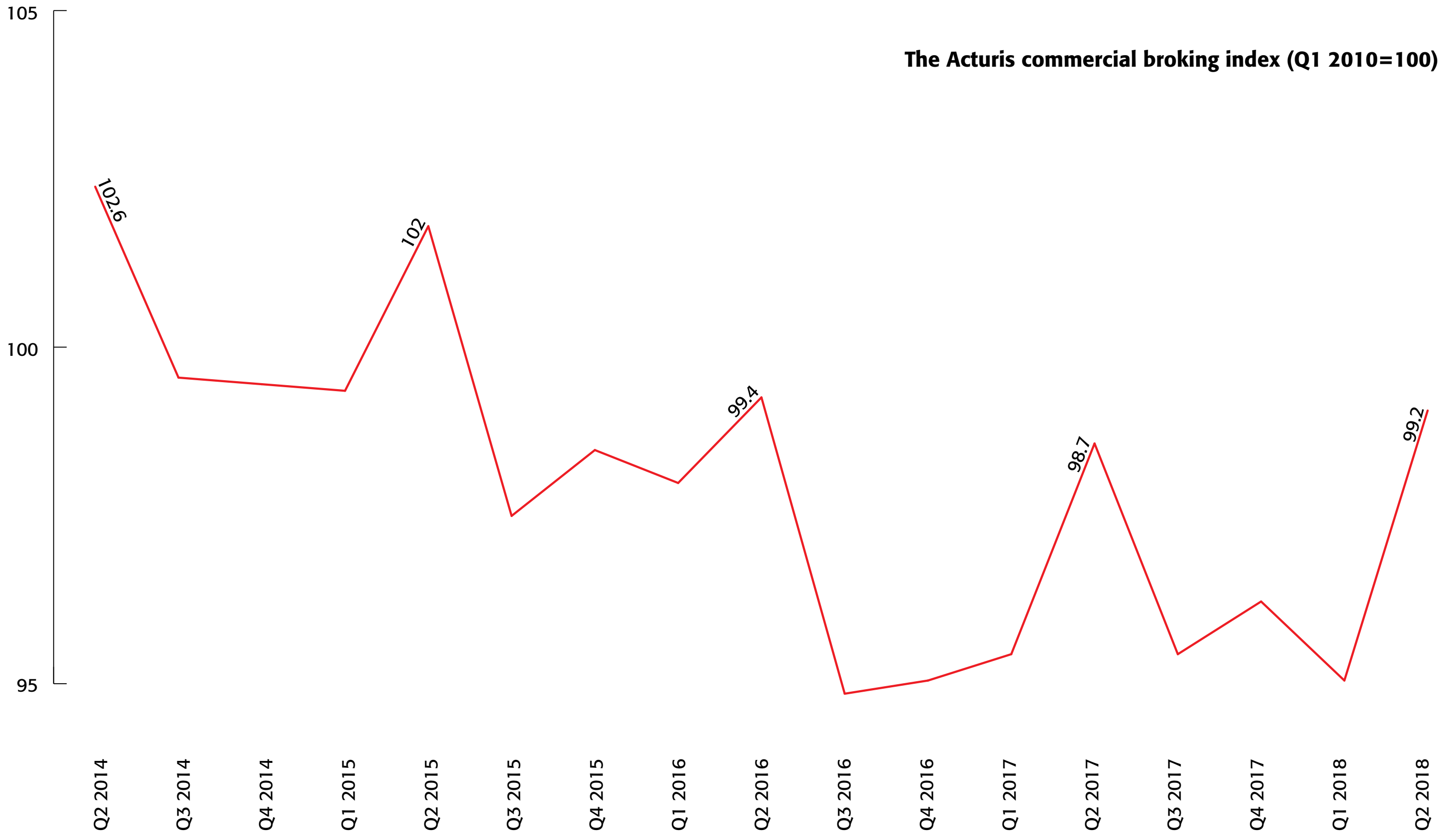
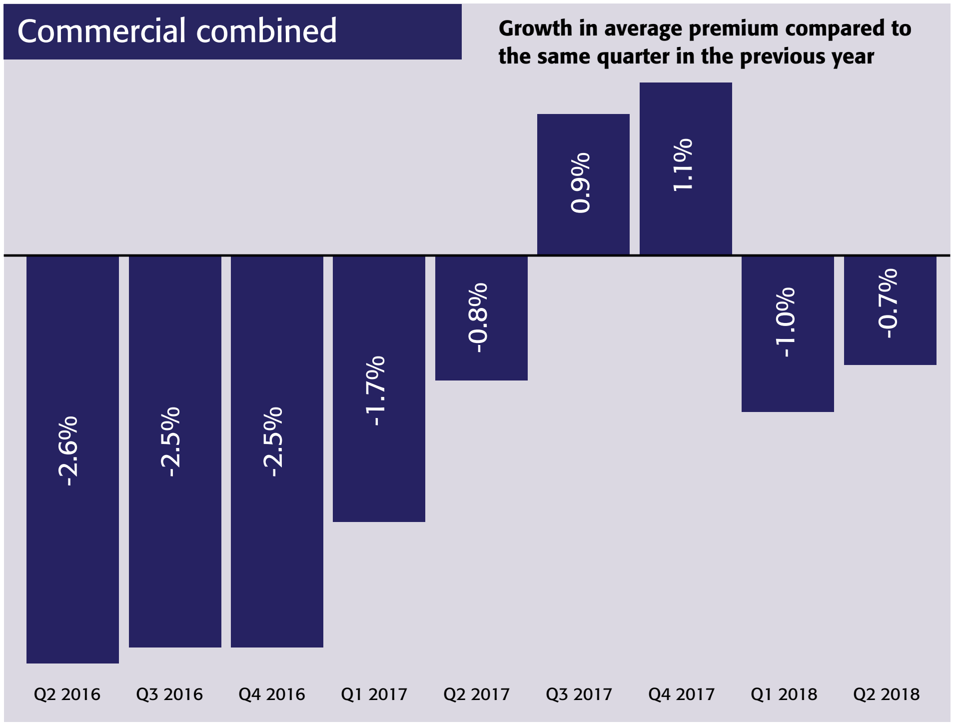
THE STATS – THE ACTURIS PREMIUM INDEX





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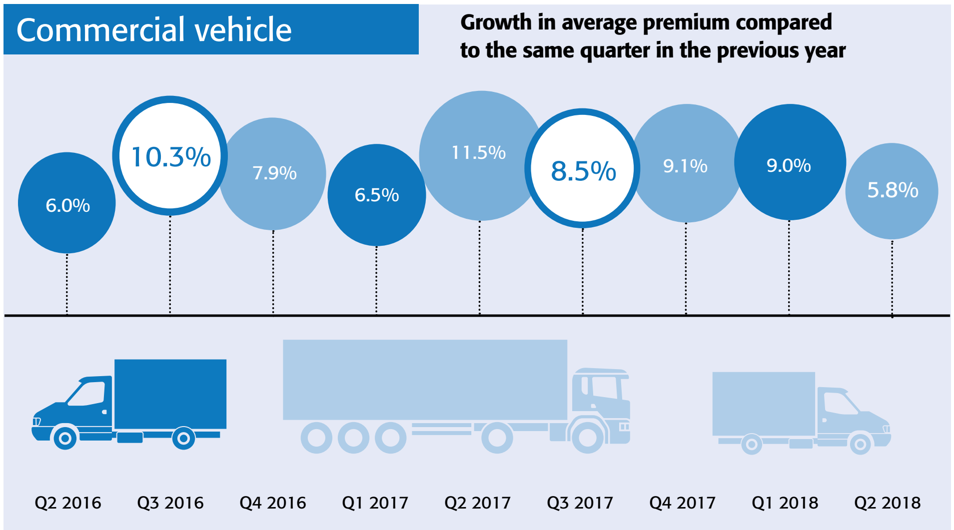
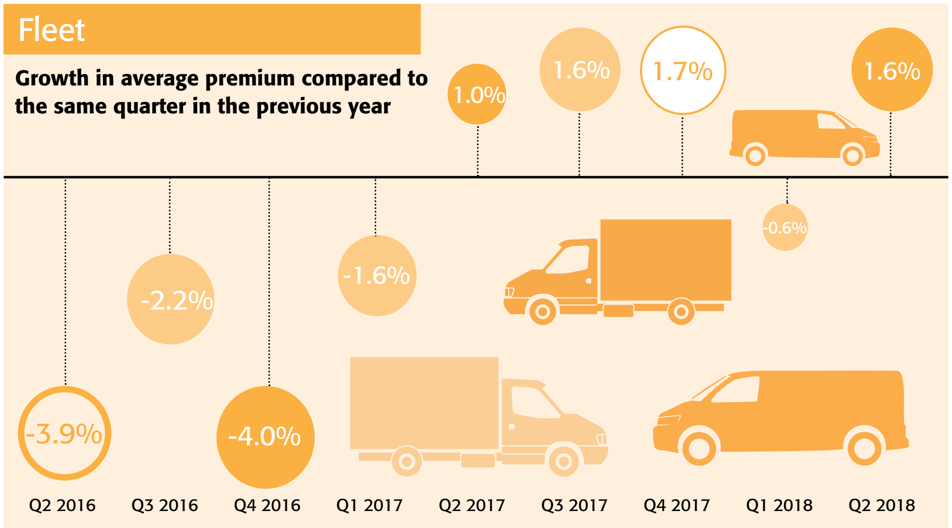
While the start of the year saw a majority of negative numbers, the second quarter of 2018 has turned towards positive premium movements – although in some cases very small – in all lines bar one.

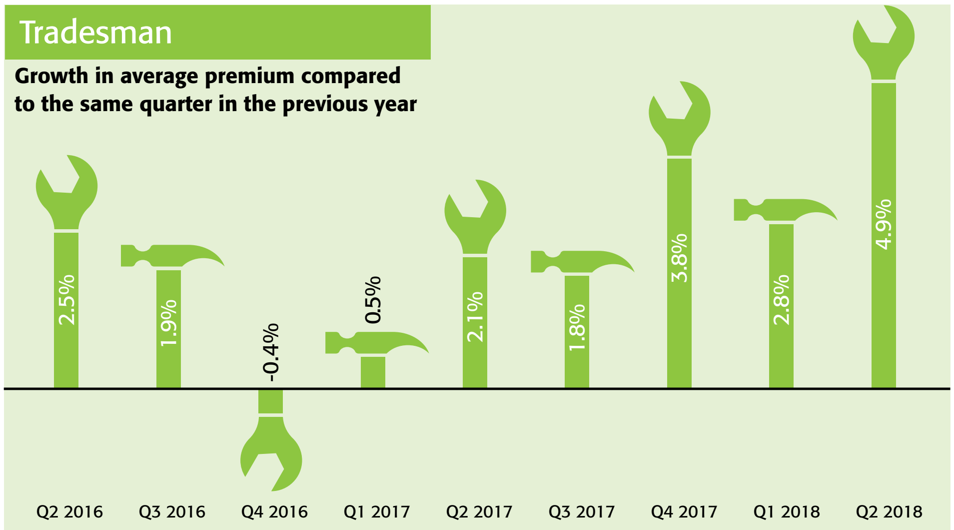
Insurance experts confirmed that the general movements reported by Acturis were broadly in line with what they were seeing in the market.

Cathy Taylor, head of commercial underwriting and operations at Ageas, noted that the market continued to be highly competitive, with new managing general agents coming in and a lot of capacity attracting investment.

"Insurers are investing in efficiency to help keep costs down, however, at an overall level the commercial lines market remains soft considering we have also had ▷







IPT increases running through to H1 2017," Taylor continued.

Commercial combined is the one line that stood out in the second quarter with a 0.7% dip compared to the same time period in 2017.

Lockyers chief executive officer Jon Newall explained that this was a result of bigger insurer panels, which has led to increased competition in the commercial combined space.

"Whereas we would have got five quotes a few years ago we're getting 10 quotes now, because there are more insurers competing for that client's business," Newall observed.

He added that Lockyers was seeing an even softer market in this area than the figures would suggest.

The numbers showed that commercial vehicle once again saw the biggest jump after enjoying positive movements since the start of 2016.

It rose by 5.8% year-on-year and sector specialists flagged that the motor classes in particular were experiencing higher premiums, driven by the impact of the discount rate change announced in February 2017.

This sentiment was echoed in fleet where a more modest increase of 1.6% was reported, compared to the second quarter of last year. However, experts noted they weren't seeing as much hardening in this area of the market as they had been expecting.

Tim Ryan, executive chairman of Ryan's, said: "What most amazes me is the mini fleet market where, post-Ogden, new capacity has come in to the market to force premiums down.

"Perhaps some insurers see this class as a new SME-type opportunity and we all know how sensitive customers are to motor premiums."

Another consecutive riser was tradesman, up 4.9% year-on-year. Experts explained that this could once again be put down to the discount rate change.

Meanwhile, combined liability rose for the fifth quarter in a row, up by 0.9% compared to Q2 2017. Packages and property owners also saw relatively modest increases of 0.2% and 0.6% respectively.

"It mirrors what we're seeing in that there are no dramatic rises and the market is still quite soft," Newall noted. "There's been a slight increase for motor, but everything else is slightly static because there's a lot of competition for the brokers' business."

Ryan agreed, stating that he was seeing few indicators of a hardening market, but adding that his broking firm had been able to carry some rate in "certain classes where insurer appetite is waning".

Noting that premiums were driven down because "supply is high and demand is static", he added: "Before we have a hardening of the market, this needs to reverse."

The overall commercial broker index nudged up by 0.4% and Taylor flagged that insurers would struggle to make positive returns without some price hardening in the market.

However, she saw opportunities for change, adding: "Investment in technology continues and more insurers are gaining cost advantage by embracing AI and automation. This is where pace could really accelerate change."

Despite some positive numbers during the quarter, Newall predicted the commercial lines market would remain soft for the foreseeable future.

"Unless there's a seismic event in terms of losses it's going to stay like this for a long time," he concluded. "What we're finding is that insurers are fighting over the vanilla stuff, but anything that doesn't fit into the boxes is harder to place." ■

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.