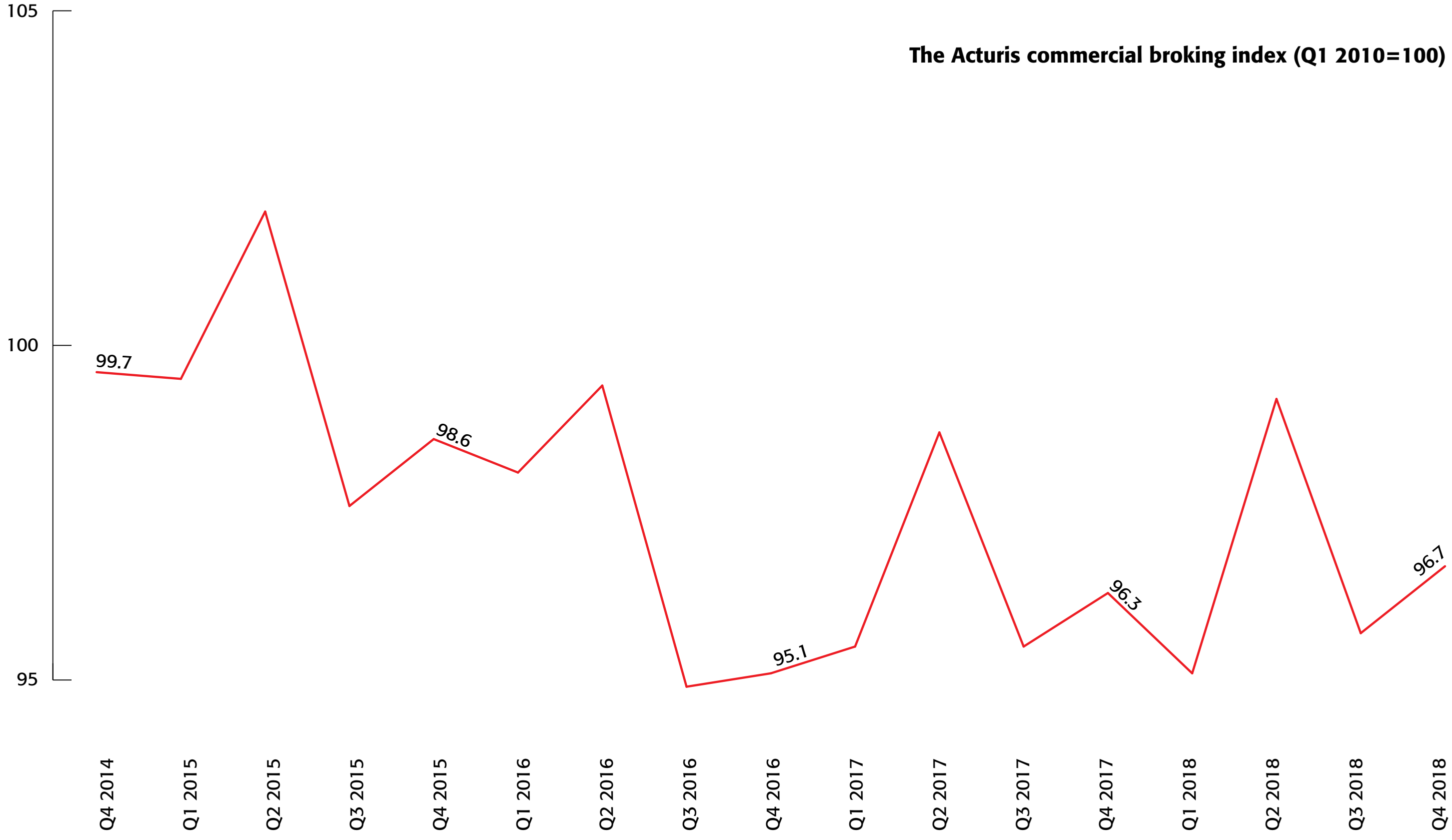
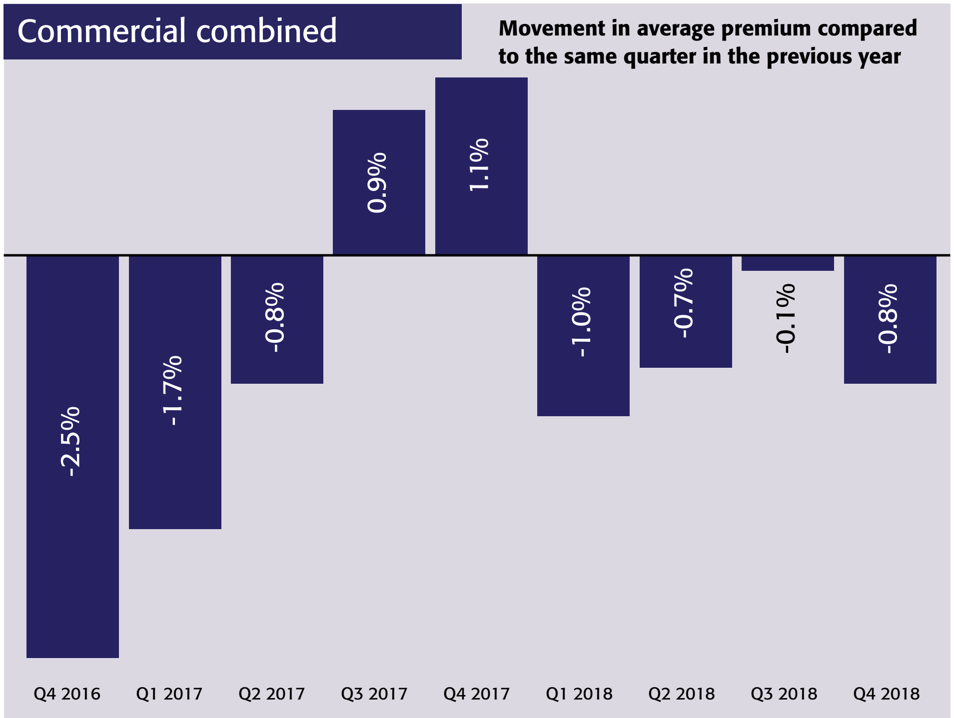
THE STATS – THE ACTURIS PREMIUM INDEX





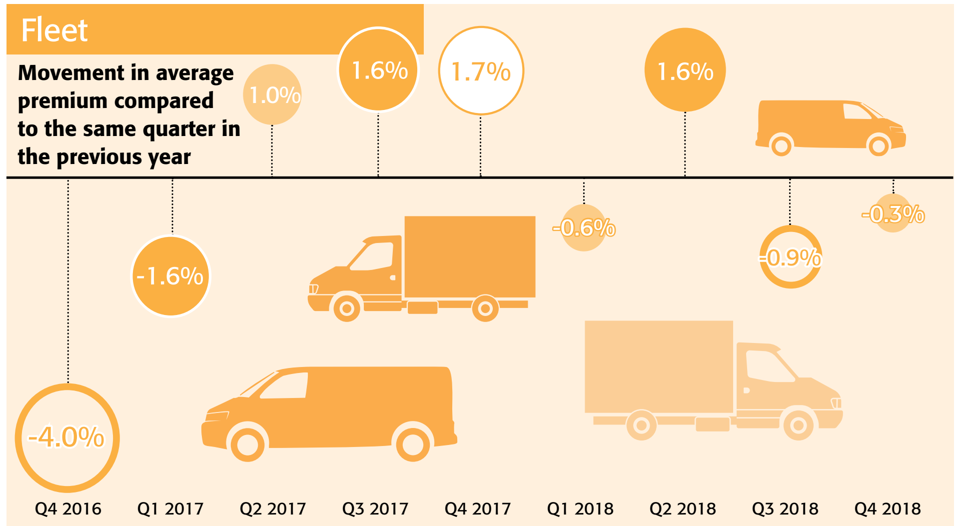
BY SAM BARRETT

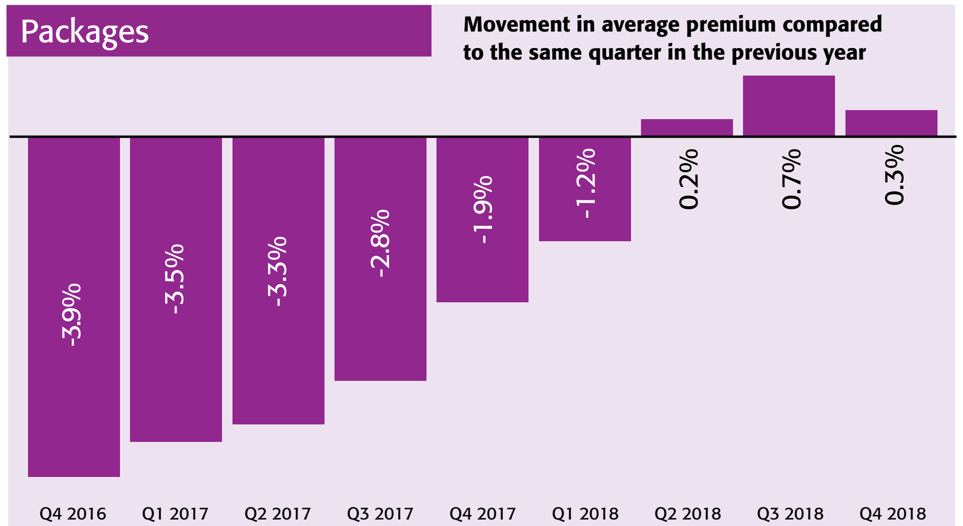
The latest quarterly statistics from Acturis show that 2018 was a flat year for insurance premiums, with its Commercial Lines Index notching up an increase of just 0.1% on 2017 and nudging up slightly for the final quarter compared to Q4 2017. While this is great news for customers, it brings a number of challenges for brokers and insurers.

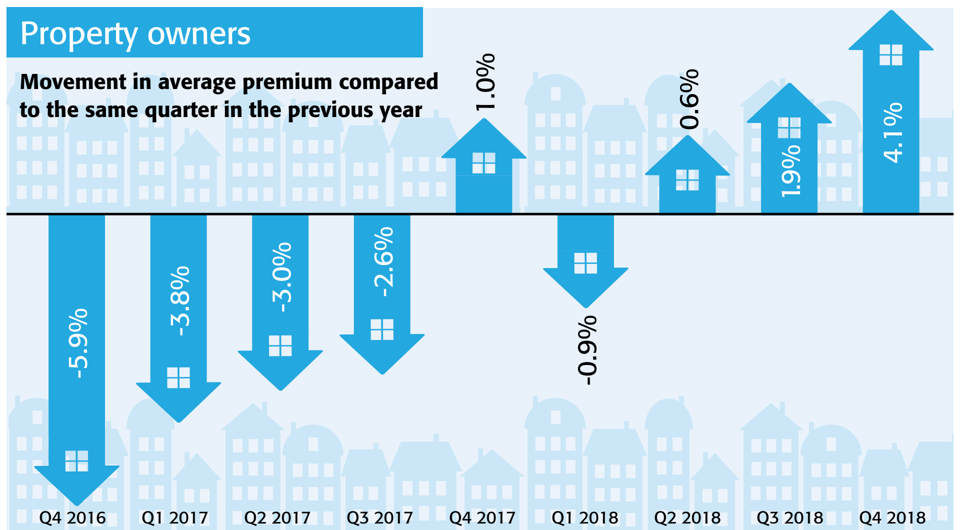
Although some lines have bucked the trend with modest increases, the index points to a continuation of the lower premium environment that has been seen over the last three years.

Further, when looking at year-on-year movements for Q4 in detail, the trend in 2018 was towards much less volatility than in previous years, with Q4 numbers keeping trends in line. Movement was between -0.5% and 0.4% in 2018, compared with -3.5% and 1.3% in 2016 and 2017.

For Howard Lickens, chief executive of Clear Insurance Management, this ▹







is expected given the benign market conditions. "Other than a bit of Beast from the East, we haven't had any bad news," he says. "Other areas, such as financial lines, have been more volatile but the general commercial mix is very steady."

This makes conditions perfect for competition too, with Ashwin Mistry, executive chairman of Brokerbility and BHIB Insurance Brokers, saying there's now excess supply in the market. "Benign conditions have made it a safe haven for investors," he explains. "Insurers and brokers have also been reducing their operating costs, using technology to become more streamlined. It all feeds into a flat market."

Unsurprisingly, most lines that make up the index have performed in line with it.

Commercial combined fell by 0.8% in Q4 2018 while fleet and packages were flat. To offset these, some clocked up more chunky, albeit still modest, increases.

Property owners increased by 1.5% over 2018 (4.1% in Q4). Although only small increases, the statistics point to this becoming a trend. The figures show that in property owners after years of consistent falls, the average premium increased in each of the last three quarters of 2018 with each rise larger than the previous one.

Tradesman going up 5.9% was the standout performer in Q4.

Looking across the board, Gavin Dollings, director of commercial underwriting at Covéa Insurance, says this may be down to the level of commissions in the market. "It's a very competitive market but, with managing agents often coming into the mix, commissions can be high," he explains. "This will put pressure on the bottom line."

The statistics also reflect market sentiment around the Ogden rate. The lines most susceptible to personal injury claims – combined liability, fleet and commercial vehicle – all saw premiums tick upwards following the rate change announcement back in February 2017, with this upward trend continuing for each of the product lines throughout that year.

More normality has now returned to the three lines. Fleet was flat in 2018, with Q4 reporting a 0.3% fall. Commercial vehicle kept climbing in Q4, with a 4.8% year-on-year increase. Combined liability also continued its positive streak, albeit with a more modest 0.5% increase.

Dollings isn't surprised. "After the initial shock back in 2017, insurers have adopted a watching brief on the Ogden rate," he explained. "Premium movements in 2018 are much more about competitive pressures."

The trend in the packages market also points to more stability. Although average premium is at its lowest since 2010, the last year saw it turn around a downward cycle, with Q4 sustaining positive movement at 0.3%.

Looking ahead to the next 12 months, expectations are for more of the same across all lines, with competition keeping premiums flat.

This, Mistry says, could increase the case for a hike in the insurance premium tax rate. "We might be leaving the EU but I still think we'll move towards the EU rate of 20%," he adds, pointing to the autumn budget as the likely time for an announcement.

Whether or not the government takes this opportunity, Dollings is keen to see premiums start to rise. "Costs are increasing for insurers and brokers," he says.

"With claims inflation running at around 4%-6%, and Brexit having the potential to push this higher still, we need to nudge premiums upwards. This would be more manageable than a big correction." ■

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 £7.3bn 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.