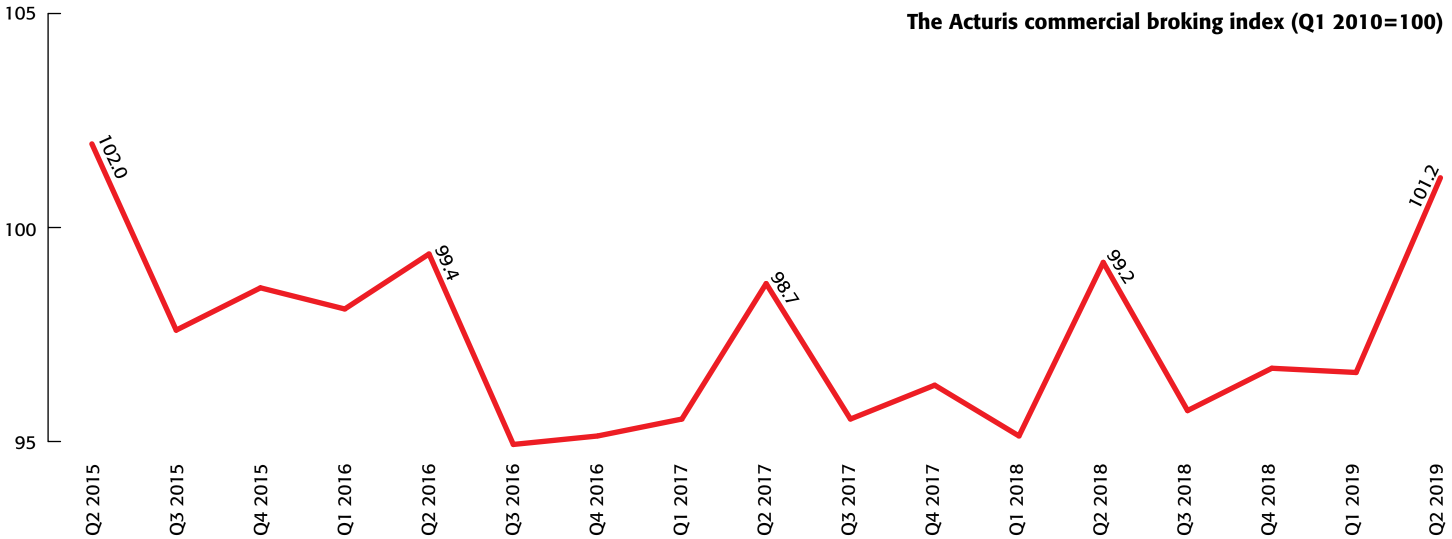
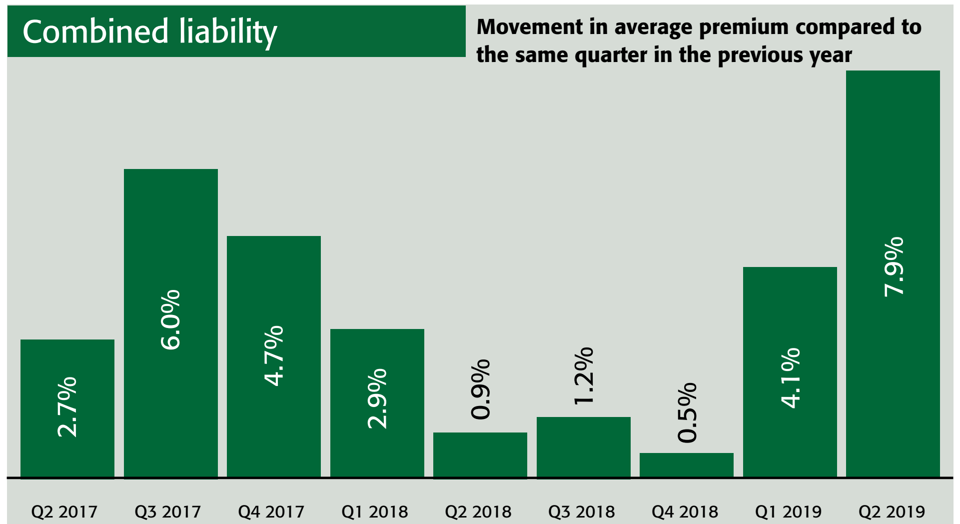
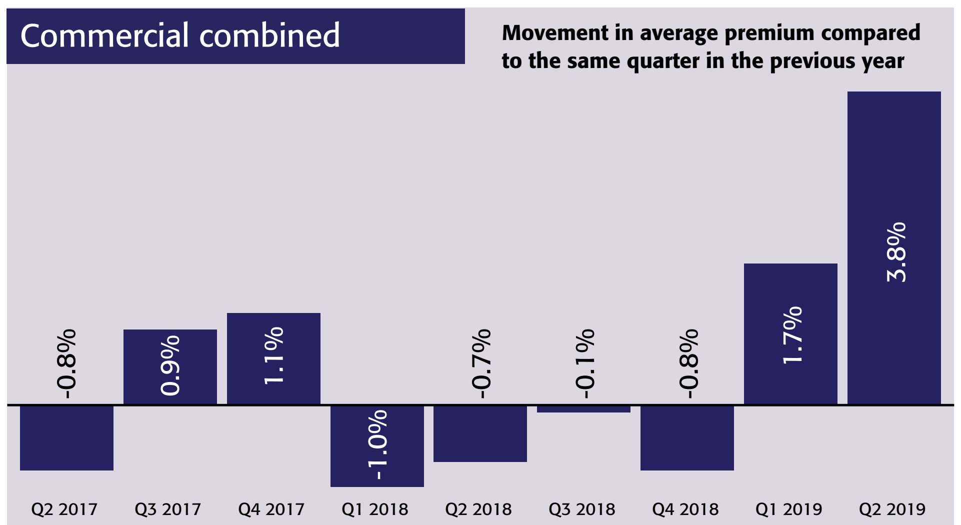
THE STATS – THE ACTURIS PREMIUM INDEX







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The Acturis Premium Index has revealed a continued upwards trend for the second quarter of 2019, with only property owners falling on the negative side.

The largest rise could once again be seen in combined liability, which was up 7.9% compared to the same quarter last year. Premiums here have been increasing each quarter for the last two years.

David Williams, managing director, underwriting and technical services at Axa UK, stated that the increase in combined liability was slightly higher than he would have anticipated.

"But employers' liability continues to lose insurers' money, and with higher awards and limits on public liability, the trend is where it needs to be," Williams continued.

Meanwhile, Peter Robinson, MD of broker Prizm Solutions, noted that declining amounts of capacity could be behind the rise.

He explained: "We're seeing some MGAs pulling out of the liability lines and that is having an impact on the market. This will naturally lead to rate increases because there's less competition."

This was followed by commercial combined with a 3.8% uptick year-on-year. This was the second quarter in a row with rate increases in this line, following reported falls in every quarter of 2018.

Innovation Broking chief executive officer Paul Dickson stated he had seen clear evidence of rate pressure in this line and expected this trend to continue in the medium term as the market looks to improve profitability in the commercial sector.

"We routinely expect insurers in the commercial combined and package marketplace to say they're looking for a 5% rate increase," he continued. "We're just set for a general correction of prices around commercial combined because premiums have been low for quite a long time. We do look at the renewals of some clients and think it's just so incredibly cheap."

Other lines showed modest increases – packages and fleet went up by 0.6% and 0.2% respectively.

Williams argued that package rates "remain below where they need to be", noting that this was down to the competitive nature of that element of the market.

"Insurers are investing in new systems and teams and need the premium to justify those costs, but at some stage soon, meaningful rate increases will have to be applied," he added.

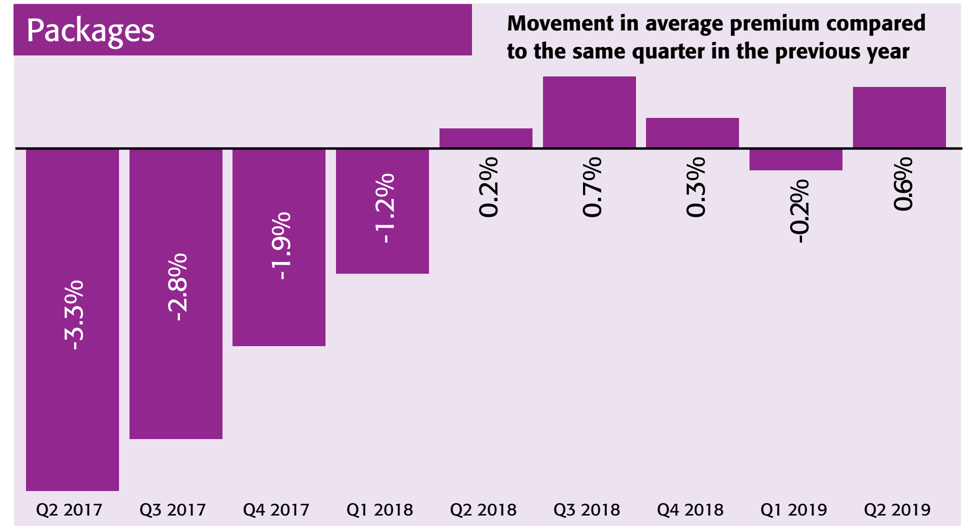
In addition, Dickson said: "We may be on the verge of a hardening in the commercial combined and package markets and in a year's time it's possible we'll look back and say it started in Q2 of 2019."

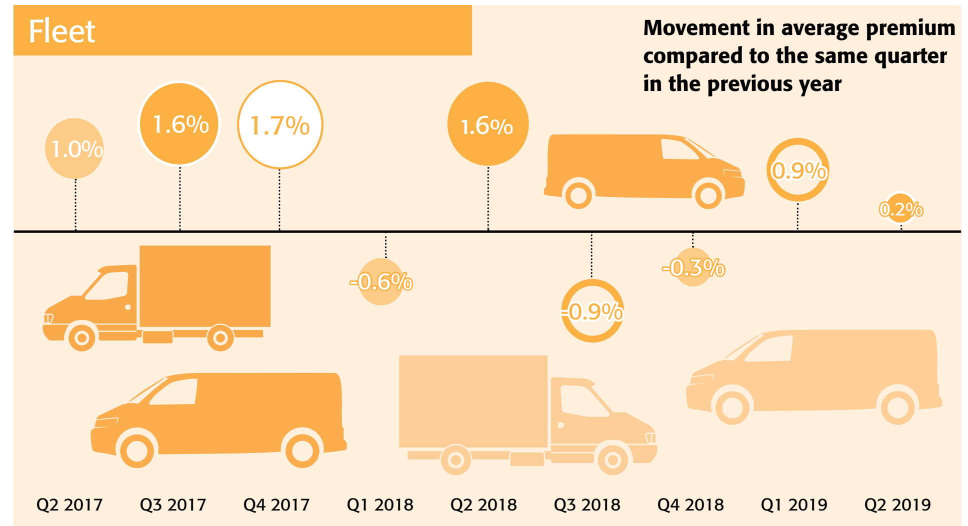
Looking at fleet, Robinson said his personal experience was that premiums have increased more than the figures from Acturis are showing.

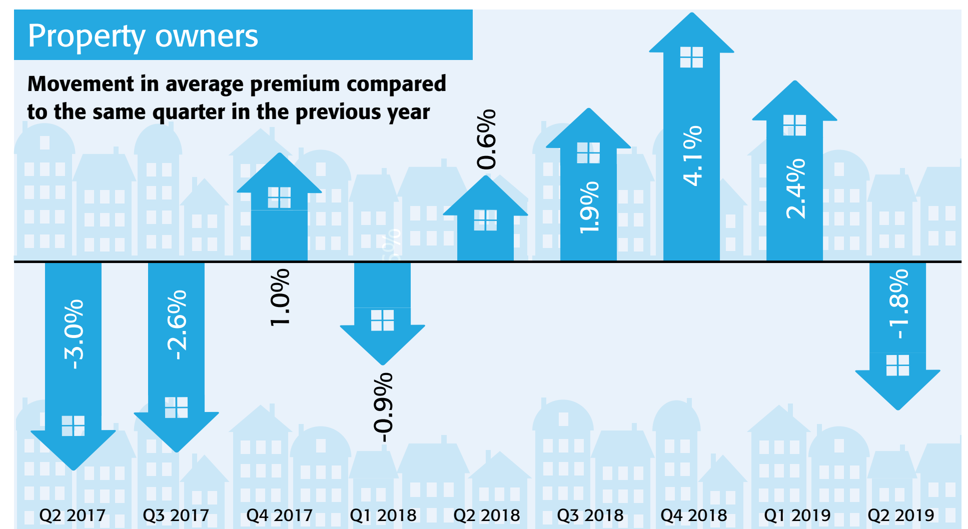
He explained: "We are noticing rates hardening, particularly for more distressed risks. We had one customer recently where the premium had gone from £4,000 to £8,000 because they had one bad claim last year."

Dickson agreed, stating that certain risks within fleet are now more difficult to place at competitive rates than they were this time last year.

"But it's still a competitive market place with plenty of capacity," he accepted. "We're not seeing a level of ▹



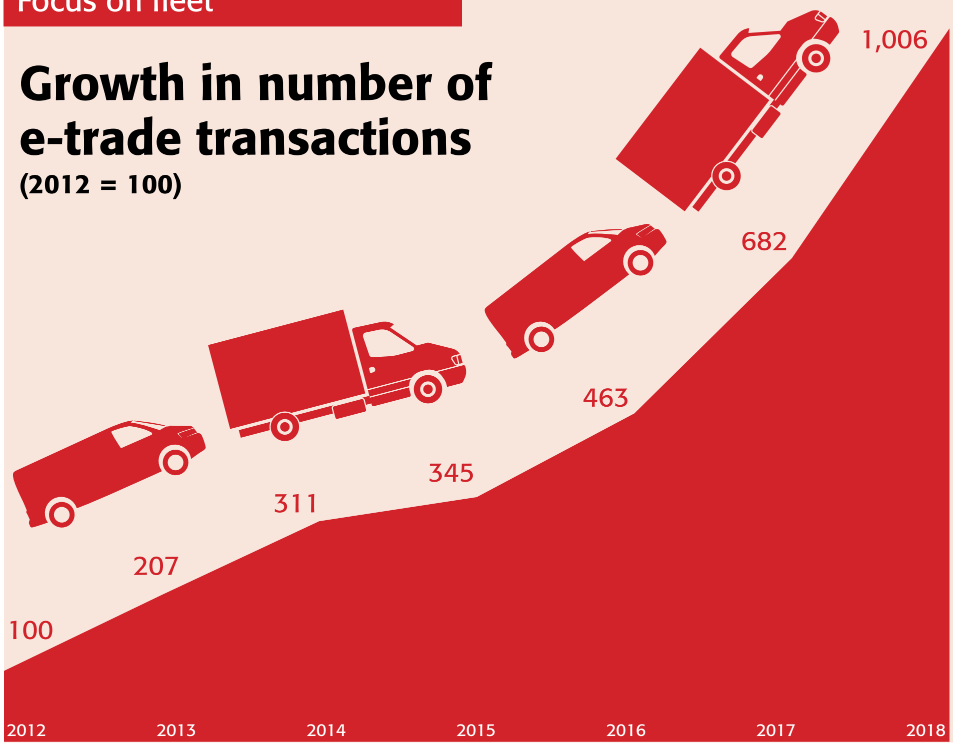




Focus on fleet

Growth in number of e-trade transactions

(2012 = 100)



According to Acturis, the Fleet Index has traditionally been the most stable component of the Acturis Commercial Lines Indices. It has seen little significant movement in premium in quarterly or annual comparisons.

The software house stated that the indexed value for fleet in 2018 was 98.2% of the 2010 value, adding that the furthest it has ever been from the 2010 value was a 2.5% difference in 2016.

Rob Bryant, commercial motor product manager at Acturis, commented: "There are several potential contributing factors to fleet premium.

"The first of these is it appears that there is a greater appetite for brokers with increasing fleet sizes; the average e-trade fleet size we see accepted on the system has increased over the past two years, from what was a flat 4 vehicles to 4.5 vehicles."

According to Bryant, another contributing factor is likely to be that brokers are now more confidently e-trading fleets.

"We have seen a 906% growth in e-trade fleet transactions over the past six years," he continued.

Bryant added: "Further to this, we are continuing to see insurers widen their footprint to cover fleet sizes at both the higher and lower ends to accommodate this demand from brokers, creating efficiencies for brokers across a wider spectrum of fleet size.

"Each of these factors are likely to be key contributors to the flat overall trends we have seen in average premium over the years."

change in prices for fleet and there are no real external factors outside of the hotly debated discount rate issue."

Williams also predicted that sharper increases in fleet are to come following the government's decision to change the discount rate from -0.75% to -0.25%.

This leaves property owners, which fell by 1.8%. Experts were surprised by the decline, with Williams and Robinson stating they had seen increases across property lines over recent months.

"Some of the Lloyd's syndicates are pulling out and some of the MGAs are suffering from that so we're seeing rates are starting to harden," Robinson continued.

Williams suggested it may be a brief rate drop to try to drive up new business, adding that premiums are likely to return to a slight increase going forward.

"I imagine what we are seeing in the quarter is a bit of a correction; there having been some substantial increases in the last few quarters," he noted. "It is an incredibly competitive area, and firms often run limited period promotions."

As a contrast, Dickson was not surprised that the index suggested that premiums in property owners were slightly down in Q2.

He said: "Although we've seen some increases and some reductions, it's been fairly level over the last twelve months. It remains a sought after category and there's plenty of competition in the market."

Finally, the commercial broker index as a whole reported a rise of 2.0% in Q2 – the fifth consecutive quarter of positive premium movements.

Experts predicted that premiums would continue to rise over the coming months, particularly as the impacts of the discount rate change start coming through.

"The market needs a period of consistent single figure rate increases, if only to keep pace with inflation, and that does seem to be working its way through," Williams concluded. ■

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.