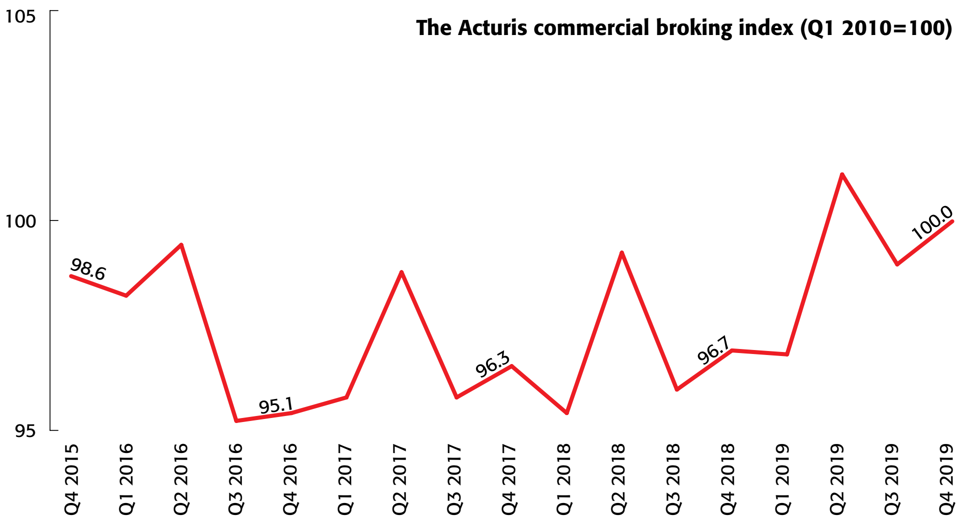
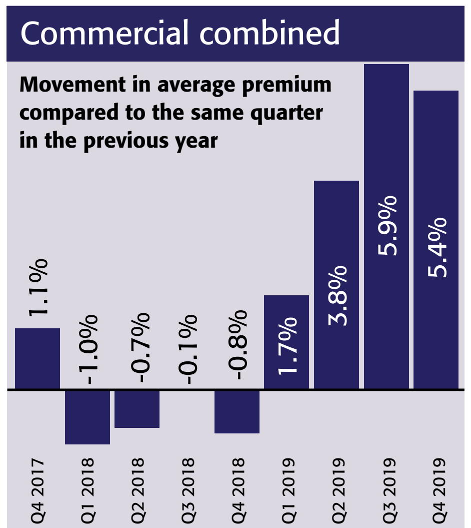
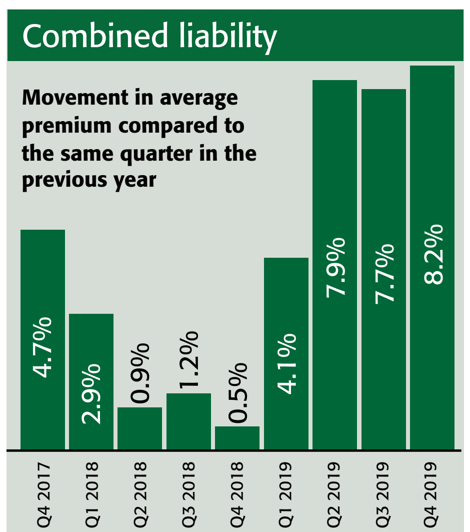
THE STATS – THE ACTURIS PREMIUM INDEX







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As 2019 closed, the Acturis commercial broking index equalled its base line of Q1 2010, representing a quarter of heavy increases in premiums over the year before.

The increases are particularly dramatic in commercial combined and combined liability – both lines posted their fourth consecutive quarters of upwards annual movement in Q4 2019.

In commercial combined, the last quarter of 2019 brought an increase of 5.4%.

Paul Beck, managing director at Direct Insurance Corporate Risks, believed that the impact of the new Ogden rate was making itself felt in the liability portions of commercial combined.

In July 2019, the Ogden rate was adjusted from -0.75% to -0.25%, sparking disappointment across the industry.

"We are still paying long-term claims at rates that we all accept are higher than we should be," said Beck. "It was a jump but it does have an ongoing effect."

Beck expects upwards movement in commercial combined to continue in 2020, but that the quarterly increases will drop by a couple of percentage points.

Cathy Taylor, head of commercial underwriting and operations at Ageas, agreed that the Ogden rate was impacting premiums in commercial combined and combined liability.

The annual increase in average premiums of 8.2% in Q4 2019 is the largest quarterly movement in combined liability since Acturis began recording the data.

Taylor flagged claims inflation and reducing market capacity as other contributing factors.

Bryan Banbury, managing director at Russell Scanlan, agreed and highlighted recent exits by Aspen, MS Amlin, and Tokio Marine Kiln.

"Two of these exits were driven by poor underwriting results and the insurers taking over are looking for higher premiums," he commented. "We are in a hard market – the first for many years."

Beck highlighted the recent woes of the construction sector.

"Professional indemnity rates was the big story of 2019," he added. "There has been a huge reduction in capacity in construction. It's not getting any harder but it's still tough."

Beck warned that, as the government attempts to increase investment in capital projects, the growing demand for professional indemnity cover in trade sectors is unlikely to be met.

It is these high risk liability areas that Beck expects to continue to drive upwards rate movement.

Claims

In fleet, the 2.9% annual uptick posted for Q4 2019 mirrored the 2.6% measured over the previous quarter.

Both Beck and Taylor do not expect the modest rate movements to continue for much longer.

"All indicators point to a rate increase required to cover claims inflation," said Taylor. "However, we are not yet seeing the increases required to write a sustainable sub-100% COR motor book."

Ageas UK recently posted a COR of 101.5% for its motor book over 2019, worsening from 93.4% in 2018.

Taylor said that Ageas has "a better position on motor than many in the market".

Beck believed the increase in average fleet premiums was between 3.5% and 5% during Q4 2019, citing a reduction in appetite for higher risk fleets such as haulage and waste.

He continued: "There's been a little bit of reduction in capacity – some of the unrated capacity disappeared in 2019."

It was a tumultuous year for unrated capacity in motor more generally – opening with Danish insurer Qudos declaring bankruptcy and closing with Gibraltar-based Tradewise Insurance Company entering voluntary run-off.

Fellow unrated provider Gefion consistently came under fire from the Danish regulator during 2019. In April, the insurer was ordered to publish supplementary financial accounts and, in July, it was ordered to recalculate its solvency level and not expand its business volume.

Supply

It's been a less dramatic story in property owners, although similar rate movement is expected for 2020.

The last quarter of 2019 brought average premium movement of -2.6% – the third consecutive quarter of annualised decreases in the sector.

Robert Marshall, chairman at Trident Insurance, described the property owners market as "totally oversupplied".

Taylor, Beck, and Banbury were all hesitant about how long the market can sustain these decreases in premiums.

Banbury stated: "Every insurer wants to grow their property owners book, but I'm not sure the reductions will be sustainable over time."

"I'm sensing that there is a hardening of attitudes, certainly amongst the areas that we play in," noted Beck.

"My suspicion is that the minus trends will stop, plateau, and there might be some small increases going forward."

Taylor commented: "Some insurers are trying very hard to push more rate – but property owners has a history of being a profitable account and some old habits die harder than others."

She added that the pricing figures reported have not yet reflected the squeezed margins in the sector, pointing to "higher commissions, property claims inflation, and increasing propensity for weather events".

The commentators approached by *Insurance Age* had little reaction to the jump in premiums for packages, saying it was broadly in line with expectations.

The muted response came despite premium movement reaching 3.0% in Q4 2019.

The number is the largest upwards change for packages since data collection began, but the sector has previously experienced quarters of significant downwards movement.

"It is the sort of increase you'd expected," explained Beck. "The packages market has been squeezed over a number of years – it's barely keeping pace with claims inflation."

Looking to the future, the experts are less certain about what 2020 will bring in commercial lines. "It's too early for new trends," said Taylor. "But it's fair to say that we anticipate much of H2 2019 trends to continue into 2020."

She did point towards the Financial Conduct Authority's investigation into the distribution chain and upcoming Ministry of Justice reforms as potentially impactful.

"Over the next couple of years, we will continue to see insurers being cautious when in previous years they were often chasing growth," predicted Banbury. "Insurers have always said that they want profitable growth in the past but now I think they mean it!" ■

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.