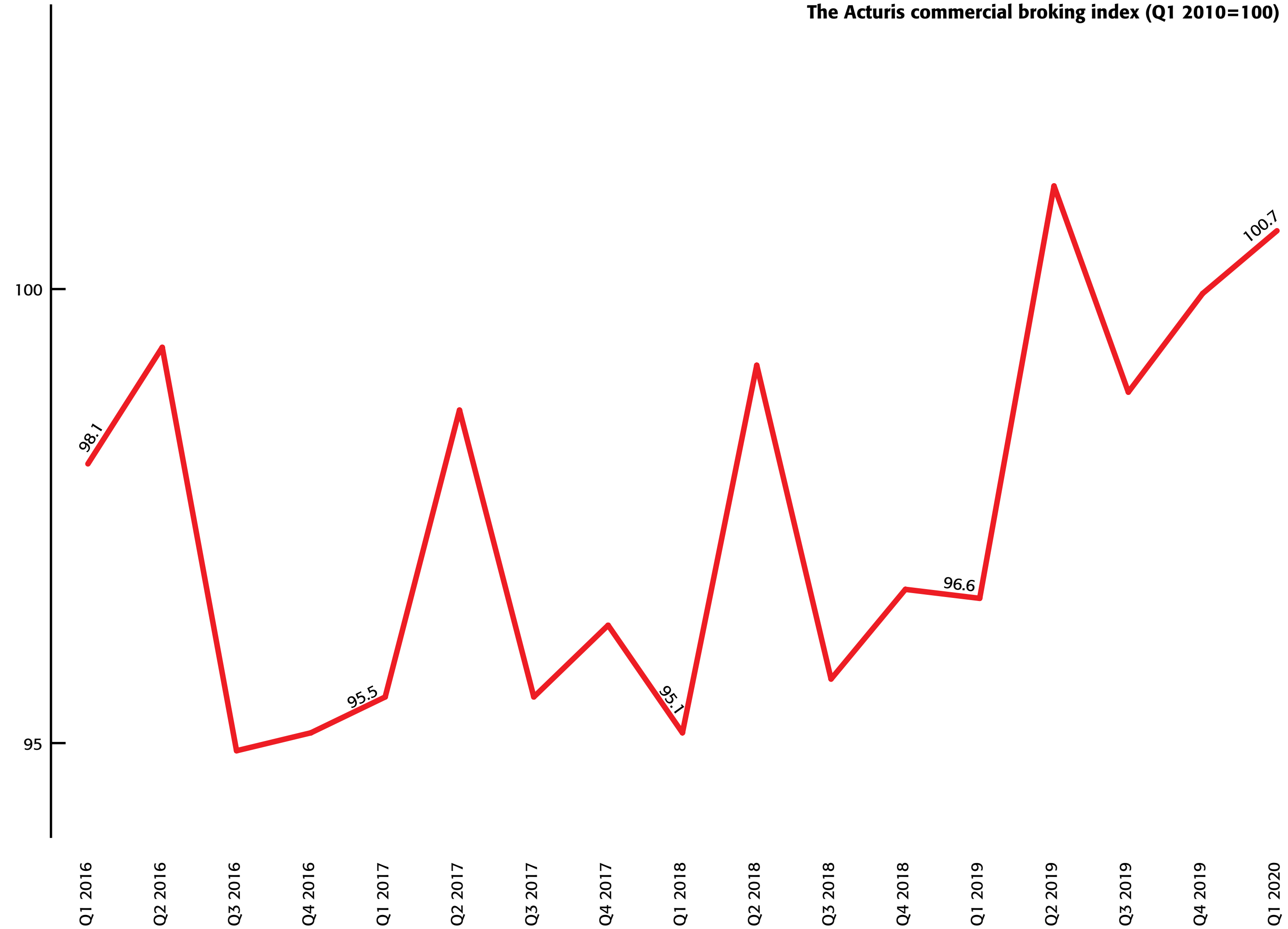
THE STATS – THE ACTURIS PREMIUM INDEX

The Acturis commercial broking index (Q1 2010=100)



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Premiums have continued to rise with all of the product lines featured in the Acturis commercial broking index recording upwards annual movements in the first quarter of 2020.

Acturis stated that the underlying reasons for the premium jump in Q1 2020 could be a continuation of 2019 trends, where price increases offset declining underwriting results.

However, it noted that it could also be a reaction to the Covid-19 crisis, which hit the UK during the first quarter of this year.

The software house stated: "The impact of Covid-19 in the UK accelerated rapidly from the end of February until the end of March, at which point the majority of the business within the index would already have been quoted for before rate changes resulting from Covid-19 took effect.

"For this reason it is likely that next quarter's index will see the full impact of Covid-19 across a whole quarter of business."

Looking closer at the figures, the most dramatic increase could once again be seen in combined liability, where premiums rose by 12.0% compared to the first quarter of 2019. This line has reported upwards movements for twelve consecutive quarters and has soared high over the 2010 baseline.

David Williams, managing director of underwriting and technical services at Axa, stated that the provider had indeed seen rate increases across the board.

However, commenting on combined liability, he noted: "That was the one where the rate shown is higher than what we're achieving. I've been wracking my brain to try and work out why that might be. We're seeing increases in employment liability and D&O."

Howard Lickens, chief executive officer of Clear Insurance Management, added that professional liability and professional indemnity were particularly "under stress".

"It's name your own price at the moment for the insurers," Lickens detailed.

This was followed by packages with a 5.6% uptick year-on-year. Historically, packages has seen falling premiums in Q1 every year since 2015, but this year it held on to its positive streak with four consecutive quarters of increases.

In Williams's view it is difficult for anyone to make money on package business. He noted that it is a competitive area of the market that "has been under-priced for a while".

"It's one of the ones that have been lagging a bit behind, so maybe there's a bit of a catch up going on," Williams added.

"It's close to retail in its response to other movements in the market, probably because it is a simple package cover so as well as the bigger composites there are also more direct retail players quoting on that business."

Commercial combined was hot on the heels of packages, with a 5.3% increase on Q1 2019. This line has also seen rising premiums since the start of last year.

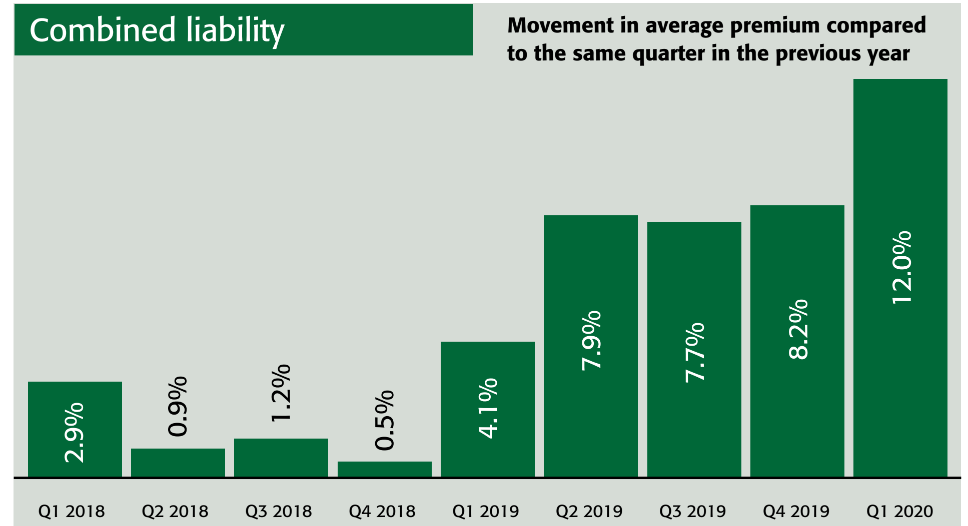
Lickens noted that this was in line with what Clear is seeing in the market at the moment, while Williams argued that the reported rise was "on the low side".

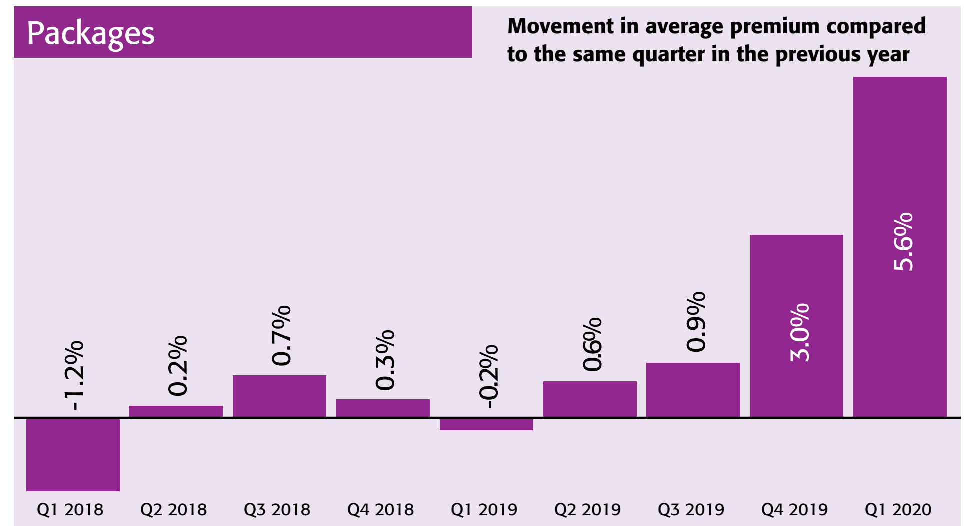
Meanwhile, property owners and fleet showed far more modest increases. ▹

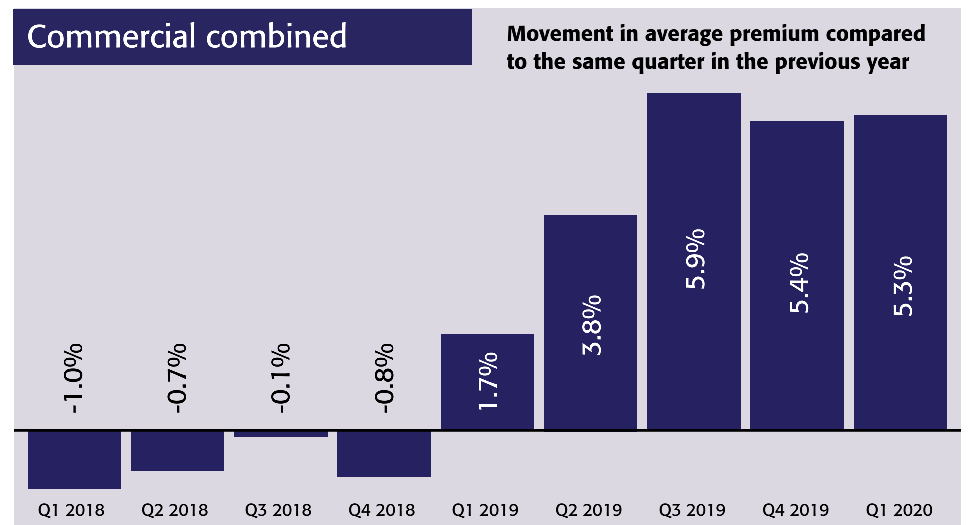
Explaining the figures

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.

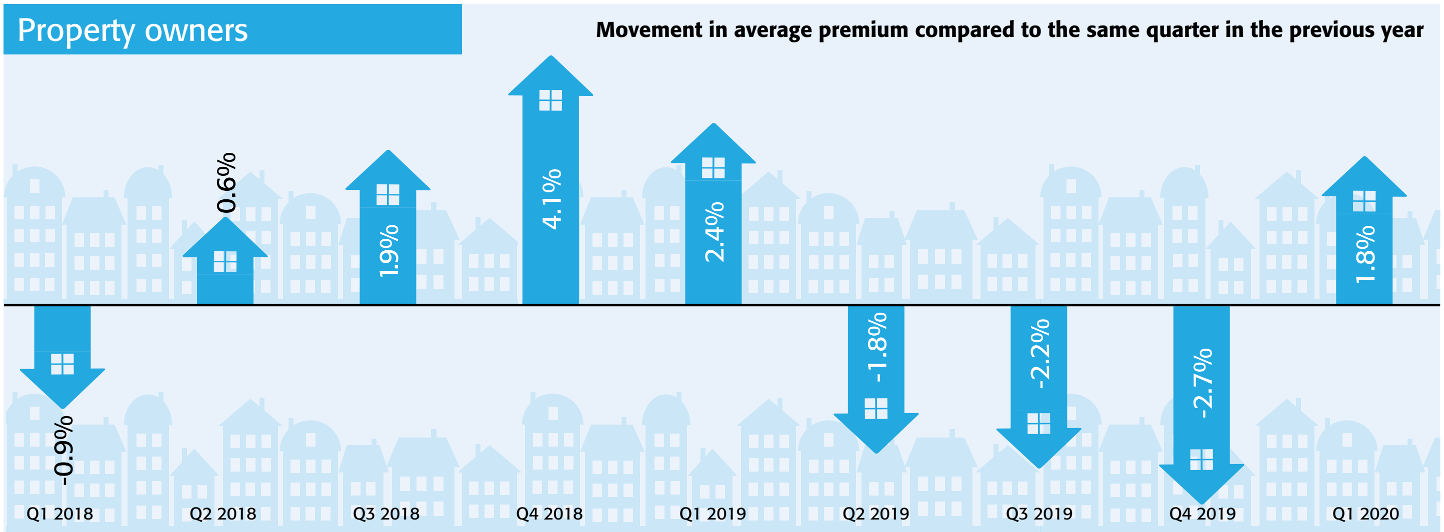
The further indices in the Acturis Premium Index covered in the text show year-on-year comparisons measured across £5bn of premium. The movements in premium can be driven by changes in the size of the risk and the level of the insurance rate. By comparing each quarter with the same period the year before it is most likely to set the pricing of similar risks against each other.



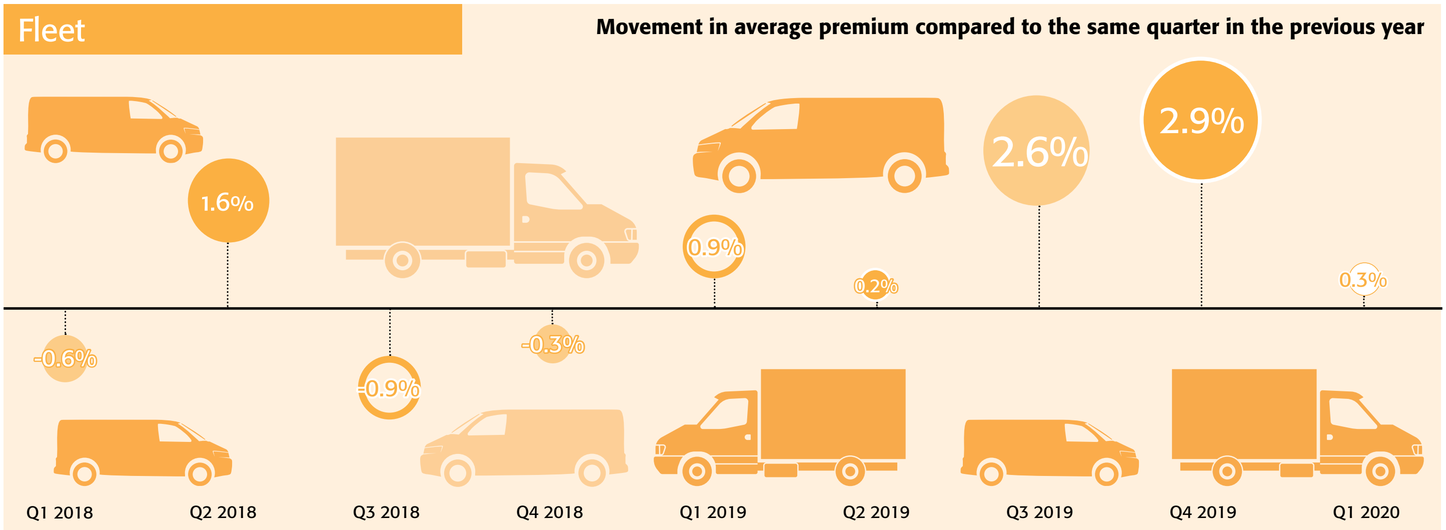




Property owners



Fleet



Property owners went up by 1.8% and fleet remained relatively flat, only moving up by 0.3%.

Property owners had previously seen falling premiums for the last three quarters and remains below the 2010 baseline. Fleet, however, has been ticking upwards since Q1 2019.

Williams was surprised that property owners was not higher, explaining that Axa was seeing some "massive increases" in this area of the market, with a number of insurers removing capacity.

Meanwhile, Lickens stated that fleet stands out as being "relatively flat and relatively soft". He expected this to continue with roads clearer and vehicle usage down as a result of coronavirus.

Overall the commercial broker index rose by 4.2% year-on-year. To put this into context, premiums were 0.7% over the baseline, which put them roughly in line with where they were in Q1 2010 when the index started.

It was widely reported last year that areas of the UK market was starting to harden. Experts predicted that this would continue in 2020.

Tim Ryan, executive chairman of Ryan's, said: "The hardening of the market is distinct and obvious, resonating through our industry."

He highlighted that this had been exacerbated by some insurers backing out of the market and pulling out of certain business lines last year.

"What will be interesting in Q2, is the impact of Covid and the reduced exposures as businesses aren't trading as they were and the traffic is significantly reduced. Will this have a balancing effect?" Ryan asked.

Williams was on a similar track. He predicted that rates would continue to rise, but added: "People are laying off or furloughing staff, taking vehicles off roads and reducing cover sometimes in an attempt to save money. That's a factor that might cause interesting patterns in Q2.

"It's early days, but I think we'll see rates continue to rise and premiums overall dropping." ■