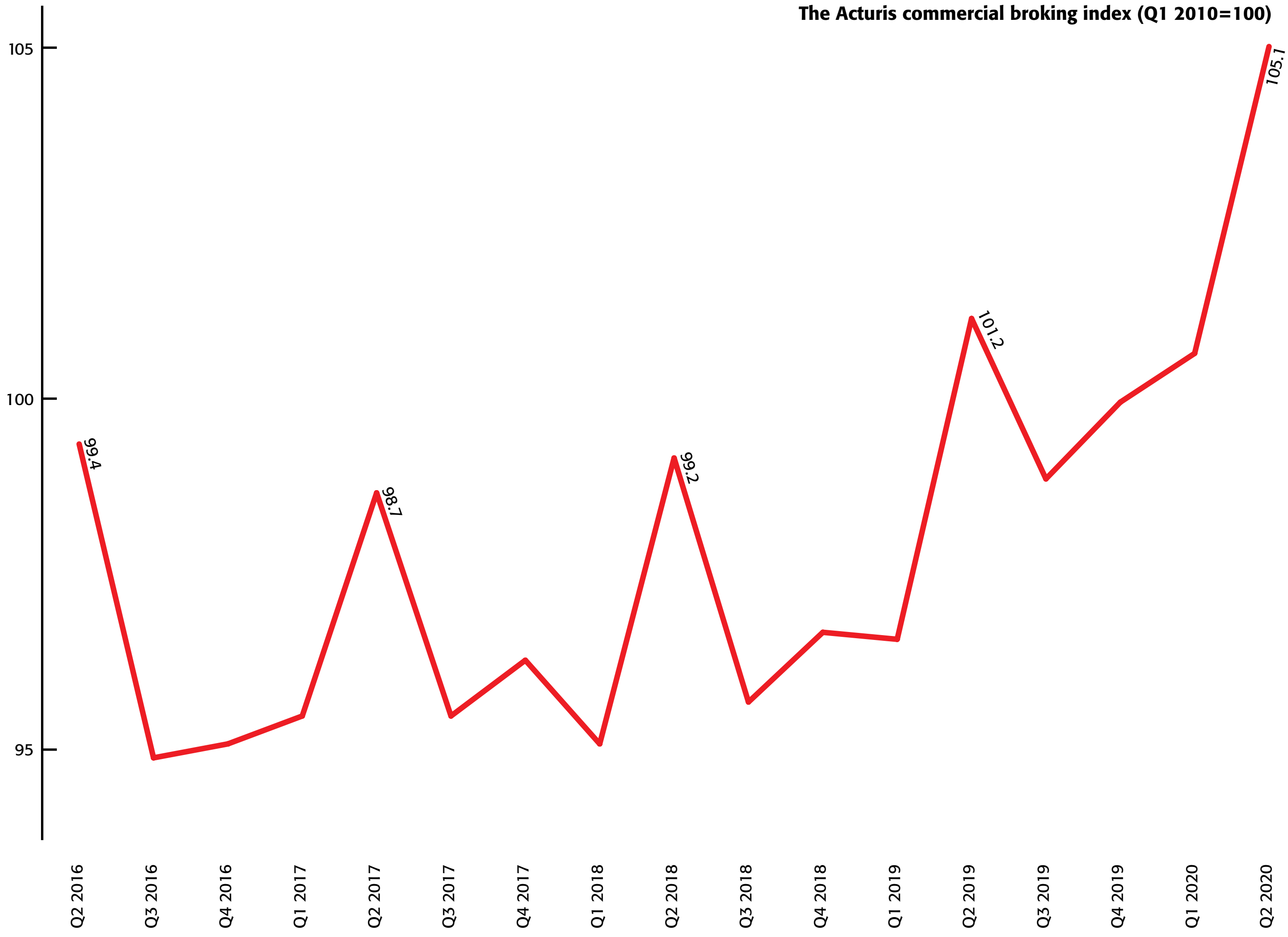
THE STATS – THE ACTURIS PREMIUM INDEX

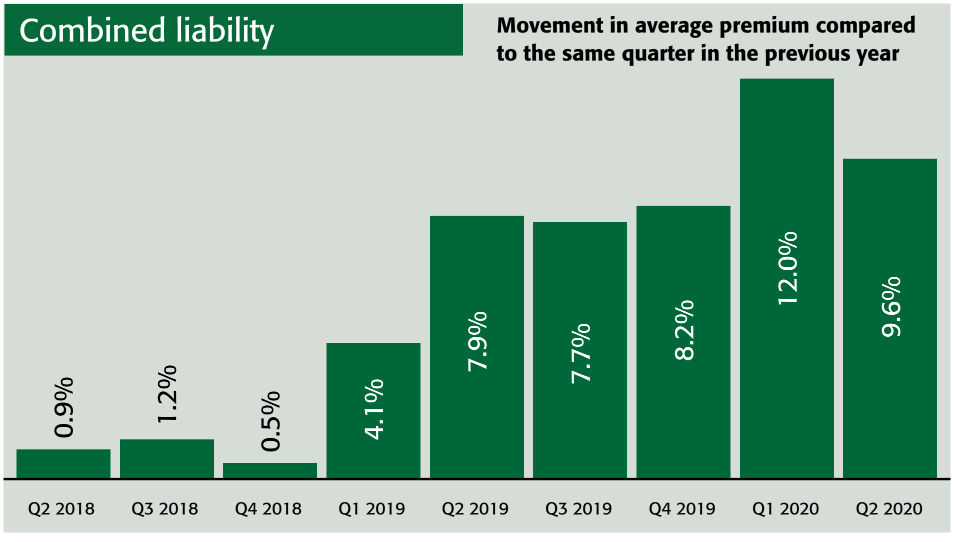


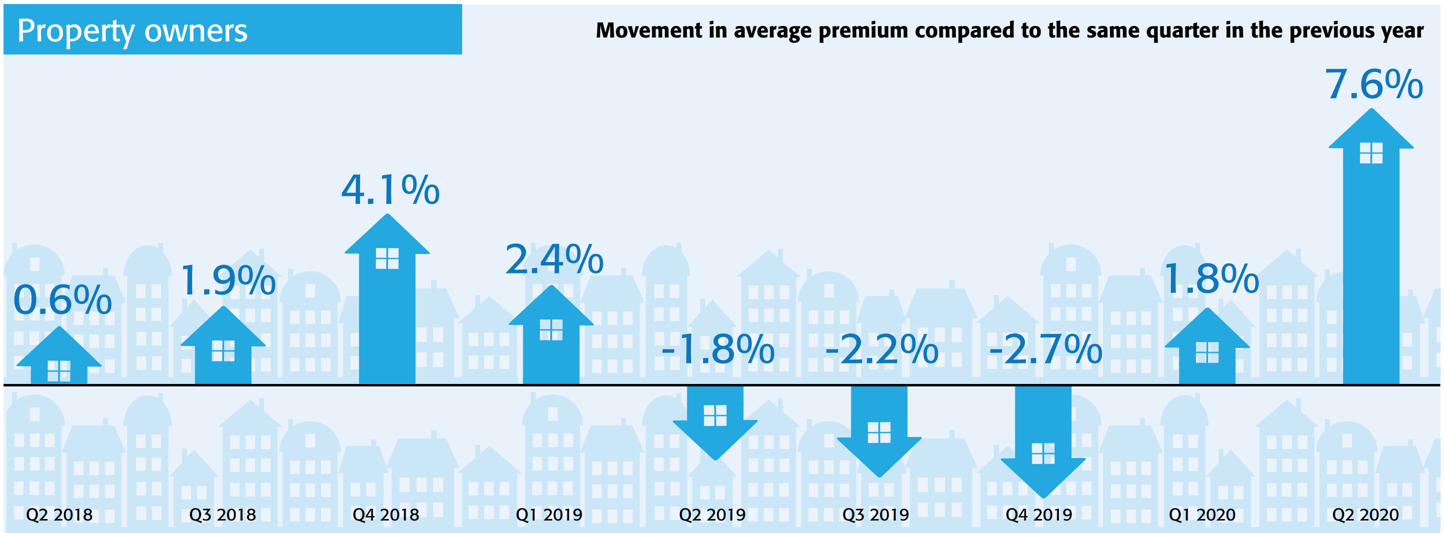
BY IDA AXLING
ida.axling@infopro-digital.com
@BrokingIda

The hardening market along with the Covid-19 crisis has continued to push premiums up in the majority of product lines represented in the Acturis commercial broking index, fleet being the notable exception.

This paints a similar picture to Q1 and the software house stated that the movements in premium in the first half of 2020 were the largest since the inception of the index.

The combined liability line took the largest leap, rising 9.6% compared to its





2019 counterpart. Premiums in this line have increased at a consistent rate since the start of 2019 and have reached high above the 2010 baseline.

Aston Lark group CEO, Peter Blanc, was slightly surprised by this, stating that he had seen the combined liability market harden in places, but "not universally". He predicted that employers' liability in particular would be affected by current world events.

"If there is a serious recession and there are lots of redundancies you tend to find employer's liability claims to go up," he explained. "If people find themselves financially in dire straits and something has happened in the past couple of years that they can potentially claim for, now is going to be the time when they're going to do it."

Meanwhile property owners saw a 7.6% uptick year-on-year after previously seeing a negative trend in 2019. It is one of only two lines residing under the 2010 baseline, the other one being fleet.

Gavin Dollings, director of commercial underwriting at Covéa, noted that rates in this area had been depressed for a long time and were now being adjusted.

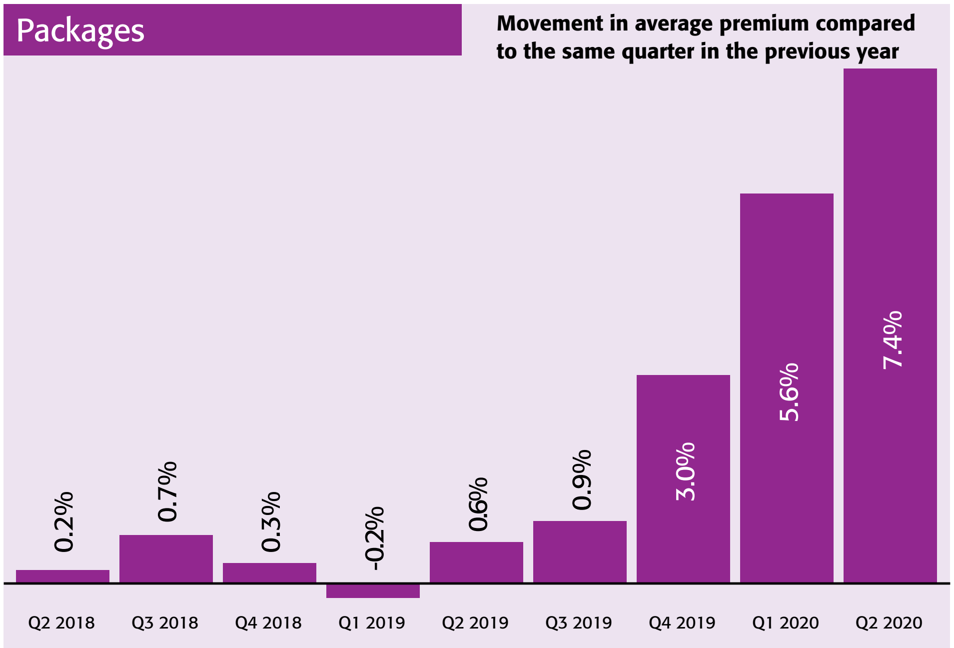
He added: "We've seen property rates being too low for too long and those soft rates weren't justifiable longer term. There's a need for insurers to address that."

Packages also continued its positive streak, up 7.4% compared to Q2 2019. ▹

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.



Packages policies often contain business interruption cover, which is likely to be one of the drivers behind the relatively big jump in the second quarter as businesses were grappling with the pandemic.

In commercial combined, premiums rose by 3.2% year-on-year and continuous upwards movements have been recorded since Q1 2019.

Paul Dickson, CEO of Innovation Broking, stated that he had seen insurers looking to push up rates in this class of business by around 5% for the last two years.

He continued: "There's a bit of a re-setting of rates gradually. I'd be surprised if this carried forward for another 12 months because by that time we'll have seen significant rate increases locked into the major insurance classes."

Unlike the other classes of business, premium growth in fleet has not continued this quarter. It fell by 2.1% which is its first significant downwards movement since the end of 2016.

Blanc commented that the dip in the figures was down to the "Covid effect", adding: "Underwriters are definitely being more competitive on fleet at the moment to reflect that there is an anticipation that usage levels won't be quite as high as they were this time last year."

He predicted that fleet premiums would bounce back by the end of the year. "But I would expect Q3 to still be negative territory," he noted.

Overall, experts believed rates would continue to harden for the rest of this year and into 2021.

Dollings noted that Solvency II requirements had led to a more restrictive environment for insurers resulting in capacity reductions and highlighted that storms Dennis and Ciara also had an impact.

"There are significant amounts of money being paid out in the business interruption side relating to Covid, that's another catalyst," he continued.

Meanwhile, Dickson warned that SMEs would bear the brunt of the rate increases, as there is still appetite for good quality mid-market business.

"There was concern that the market would struggle with supporting a hardening market, I don't see that's the case," he concluded. "It's a pretty informed broker market place and there is an appreciation that rates in a number of areas did need to tick upwards." ■