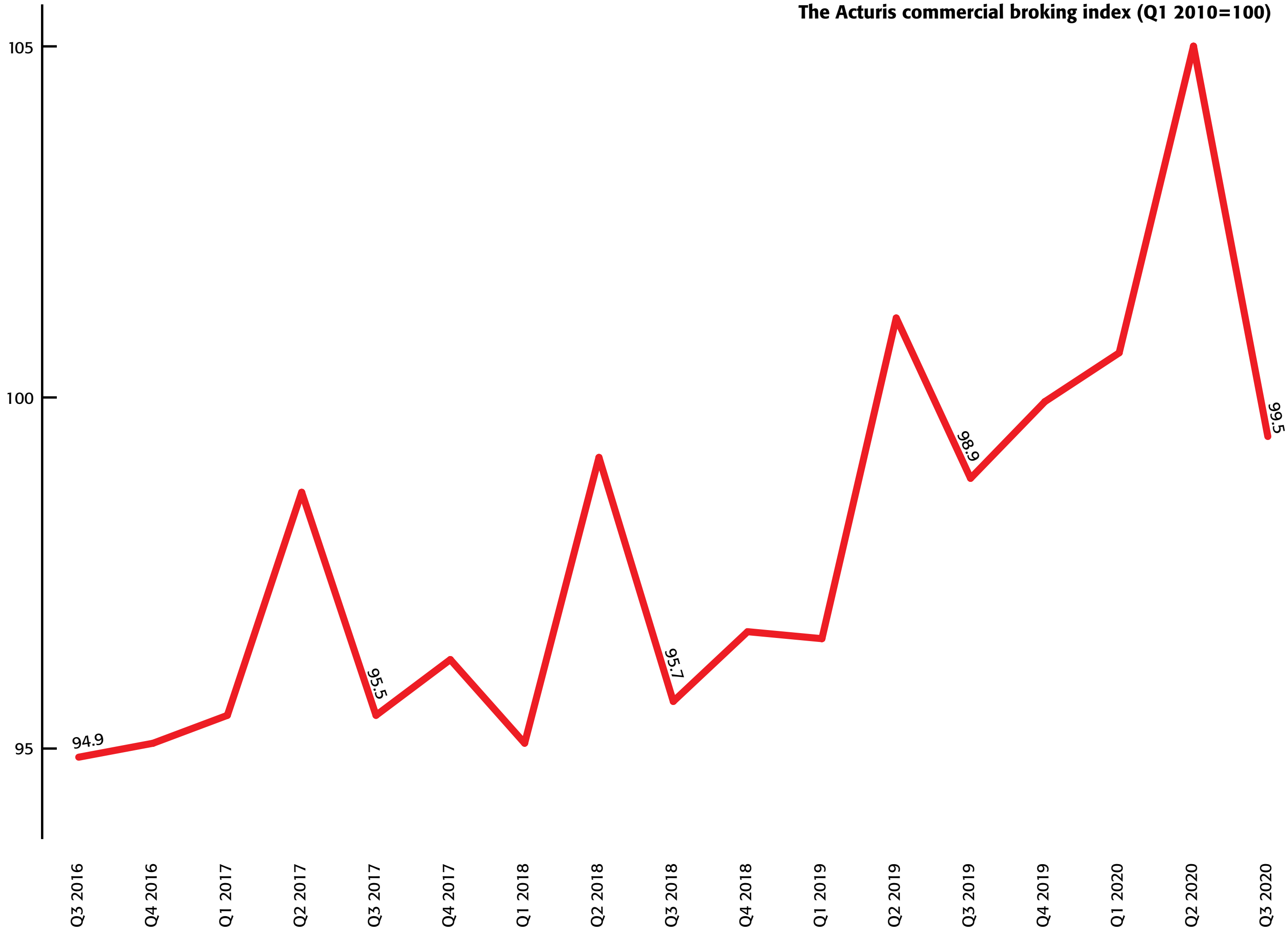
THE STATS – THE ACTURIS PREMIUM INDEX

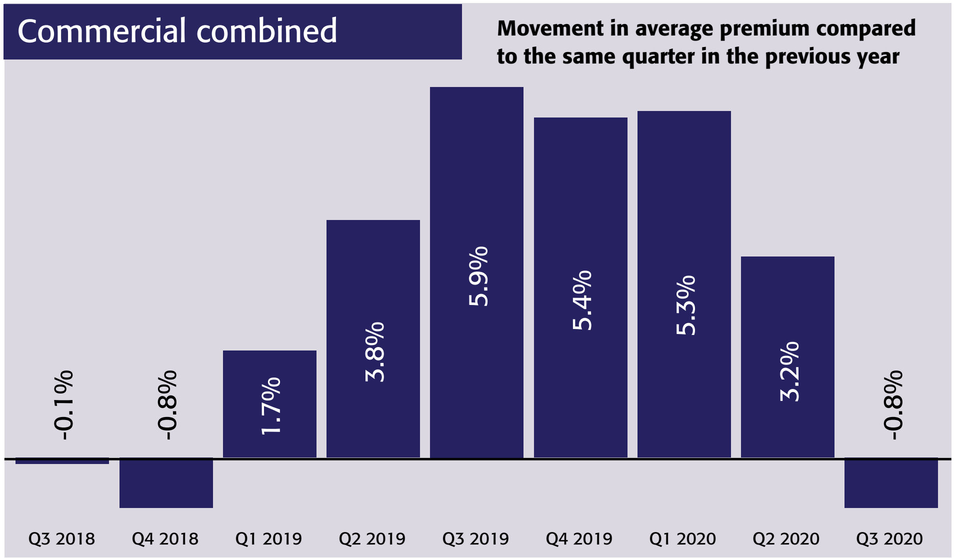


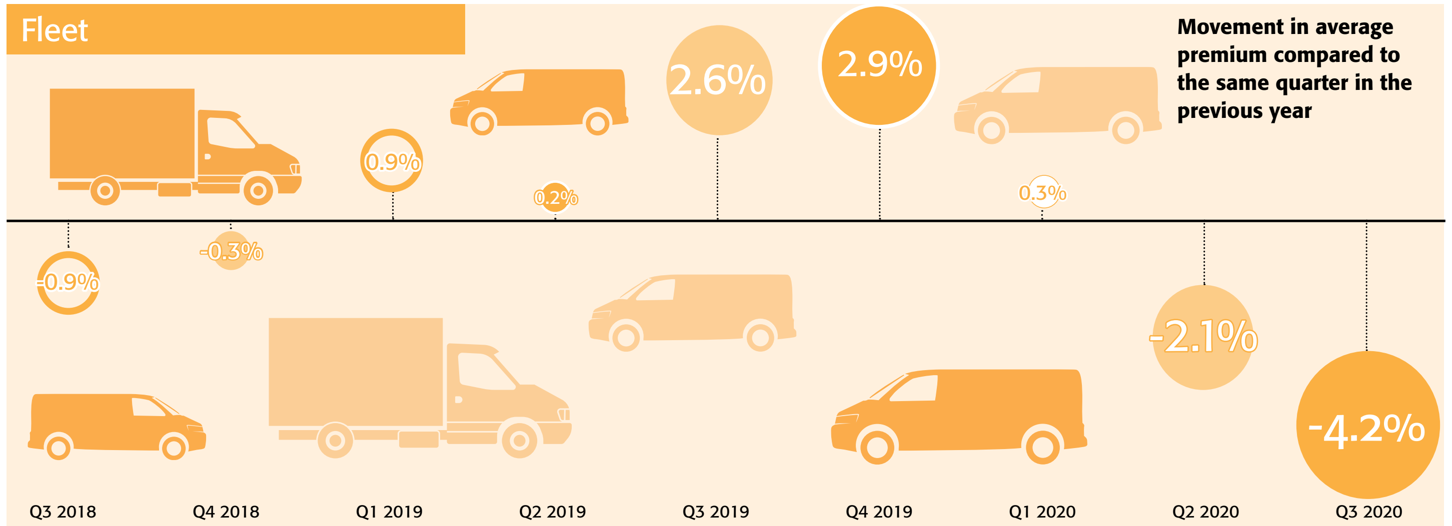
BY IDA AXLING
ida.axling@infopro-digital.com
@BrokingIda

Premiums in most of the product lines represented in the Acturis Commercial Broking Index have unsurprisingly continued to rise in the third quarter of 2020 as the market hardens further.

However, Acturis explained that it had recorded the smallest quarter-on-quarter movement with respect to the prior year since 2018, with indexed premiums only seeing a small increase of 0.6% compared to Q3 2019.

This follows four consecutive quarters of over 3% growth within the index, with ▷





Q2 seeing the largest movements in premium since its inception.

The figures were once again heavily impacted by the Covid-19 pandemic, with the largest increases seen in packages and property owners premiums, both of which contain an element of business interruption (BI) cover. BI has been a hotly debated topic since many insurers refused to pay out on pandemic-related BI claims during the first nation-wide lockdown.

Starting with the negatives and looking closer at fleet, the index has recorded progressively larger reductions in premium when compared to the same quarter in 2019 since the start of this year. In Q3 2020 premiums fell by 4.2% compared to Q3 2019. Acturis noted that this is the largest movement seen in fleet since 2010.

Peter Robinson, managing director at Prizm Solutions, stated that he suspected motor fleet is benefitting from a claims downturn due to Covid.

This point was echoed by Paul Beck, MD of Direct Insurance Corporate Risks, who believed the decrease was an "artificially low figure".

"Fleet rates are increasing by about 5% at the moment, but that's probably masked by the fact that vehicle numbers are down and possibly some vehicles are still laid up in lockdown two," he commented.

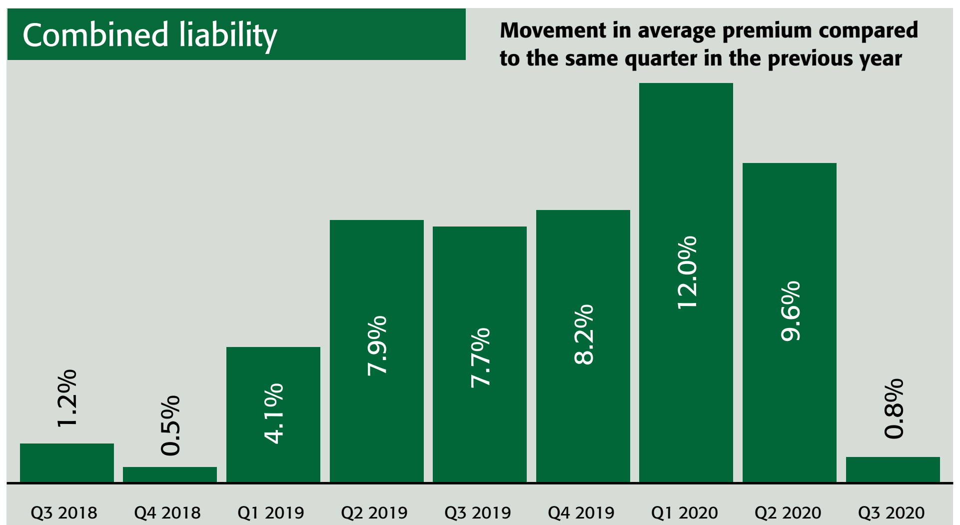
Adding: "We're seeing claims numbers start to recover back to where they were before March and that will drive rating increases back to more normal levels."

Commercial combined also turned negative in Q3, albeit only by a small 0.8% fall. This is the first time since Q4 2018 that commercial combined has recorded a decrease in premium with respect to the same quarter the prior year.

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.



David Williams, MD of underwriting and technical services at Axa, did not agree with the picture painted by the figures.

He commented: "I don't understand that at all. We don't agree with this one and haven't seen any sign of it, we're seeing increases in commercial combined.

"The only suggestion I have is if maybe somebody is trying to grow their book and people are looking for market share."

Experts did however agree with the trends in the other classes of business. Combined liability continued its upward streak with a small 0.8% rise, while larger increases could be seen in packages and property owners.

Property owners, up by 8.7% compared to Q3 2019, has seen two significant premium rises in the last two quarters. Similarly, packages premiums have seen rapid growth this year and was up by 4.2% in Q3.

Commenting on the outlook for the future, Robinson stated: "Property owners continues to rise but from a very low base so further increases are inevitable and premiums in everyone's favourite sectors, liability and tradesman insurance, also continue to rise.

"As more insurers pull back from writing business I suspect premiums will continue to surge."

Williams noted that while the pandemic will continue to impact rates he did not see a return to a soft market happening anytime soon.

"Q4 will be pretty much in line with Q3, but I'd expect fleet and commercial combined to be in positive territory," he argued.

Looking at 2021, Williams added: "People will still be finding their feet and there'll be some big losses unless you're a motor only writer. There will still be rating increases but they will be smaller."

Meanwhile, Beck predicted that some of the insurers could be looking to shift away from property and BI-led areas due to the pandemic.

He concluded: "If you want to maintain your balance sheet you're going to have to write other classes more aggressively, which might push more people into motor. Then more capacity will soften the rates.

"Without Covid we'd be looking at bigger increases, but with four moths of no traffic on the road insurers have had a better year than they expected." ■