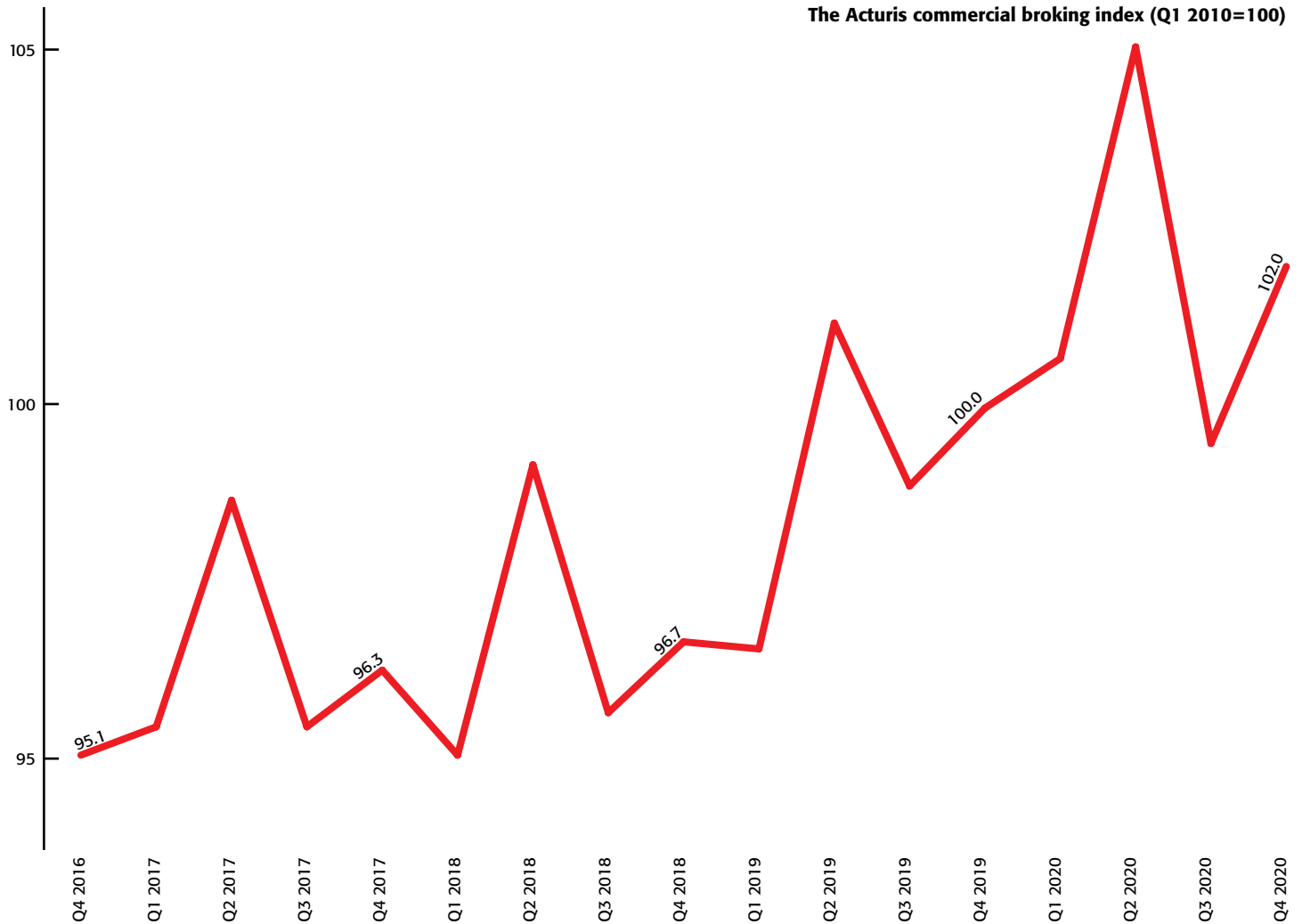


## THE STATS – THE ACTURIS PREMIUM INDEX



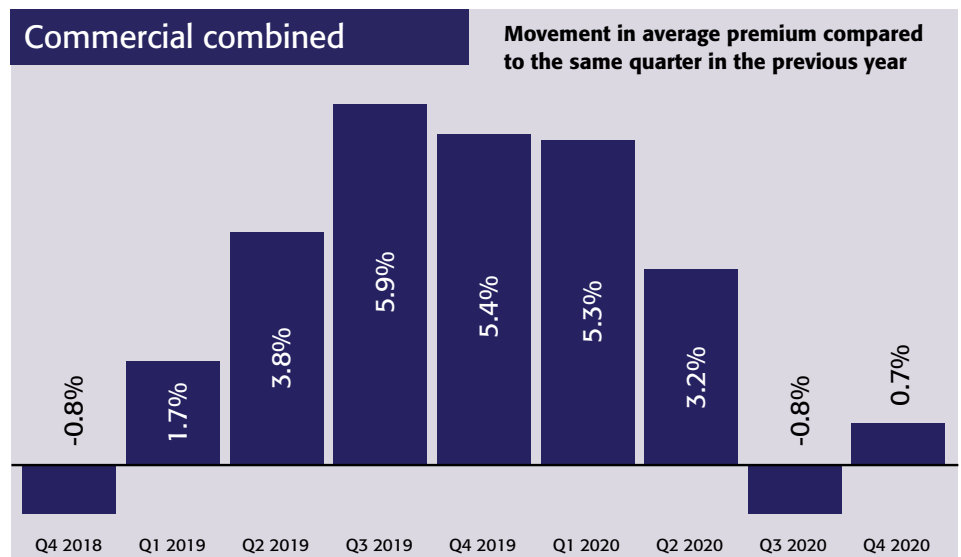
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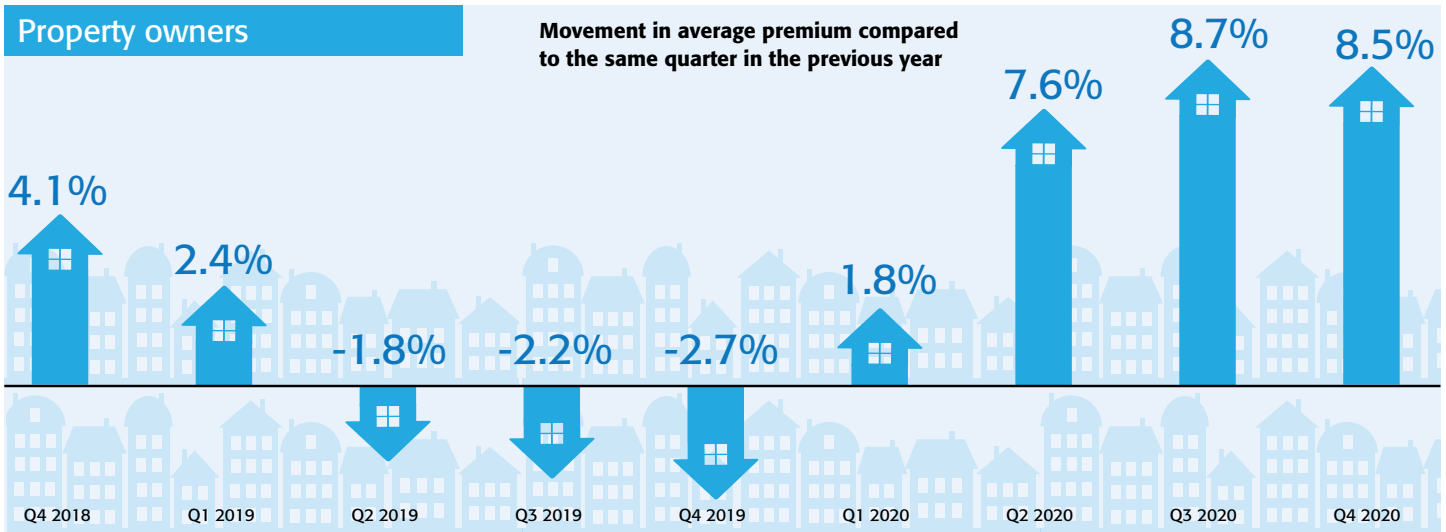


The last quarter of 2020 saw premiums continue to rise in most of the product lines featured in the Acturis Commercial Broking Index.

Acturis explained that the shape of the 2020 index had been heavily influenced by the Covid-19 pandemic, and that all classes of business had seen a turning point in the second and third quarters of the year following on from the national lockdown.

The software house detailed that this had continued throughout the rest of the year and noted that 2020 had seen





the highest premium value since the inception of the index in 2010. The year saw a 2.6% increase in premium compared to 2019.

Looking more closely at the individual product lines, commercial combined saw a modest 0.7% premium increase in the last three months of 2020 compared to Q4 2019, moving back into positive territory after a dip in Q3 2020.

Richard Willis, managing director at Willis Insurance and Risk Management,

was surprised that the movement was so small.

“I would have thought that would be closer to the liability and the package rates in terms of increases,” he commented. “But it might be because of the larger commercial combined cases, be it your manufacturer, wholesale, large retail trading businesses, that the performance over the year was down and therefore renewal premiums were down.”

Gail Smith, commercial technical manager at Ageas, agreed, stating that

the 0.7% figure “doesn’t tally” with what she has seen in the market.

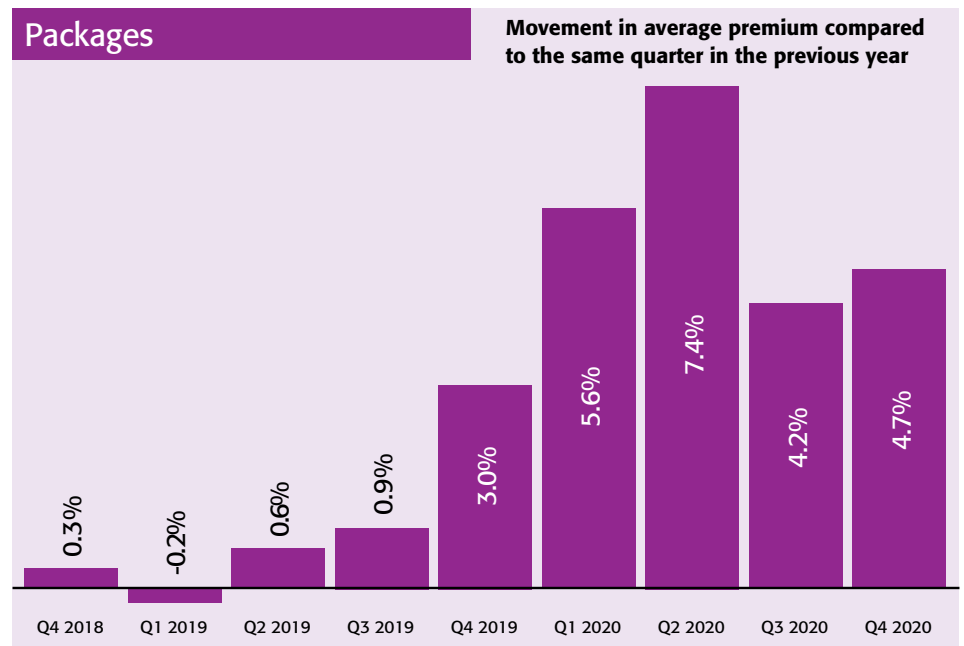
She added: “We are typically seeing better quarter-on-quarter technical rate increases and improvements in this area, which suggests that there must be one or more insurers on that product on the Acturis panel opting for growth over technical rate management at the present time.”

Meanwhile, property owners has seen an escalating growth trend over the year, increasing by 8.5% in Q4 compared to the same three month period in 2019. Prior >

## 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.



to 2020, property owners had displayed a downward trend in average premium since 2010.

“There’s a lot of pressure on property owners’ rates because they were too cheap prior to the pandemic, there’s probably also a lot of unoccupied properties now,” Willis commented.

He predicted that the premium increase would have been in double digits if it had not been for the pandemic.

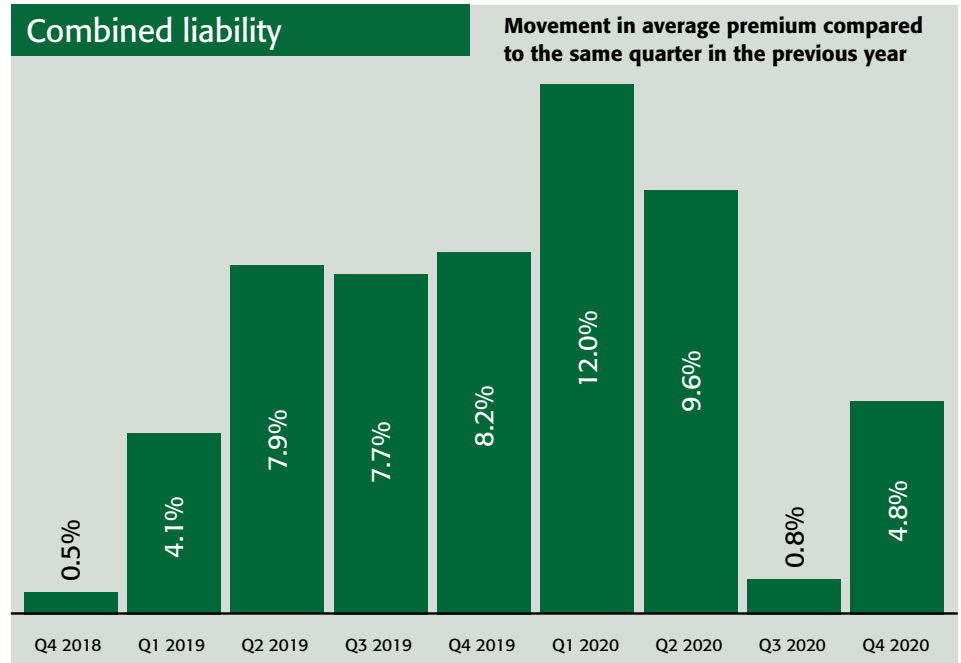
Smith noted that premium increases in property owners had been driven by continuing increases in claims inflation and rising cost in areas such as escape of water.

Meanwhile, packages continued its positive streak, going up by 4.7% in Q4. This line had in recent years seen steady falls in average premium until 2019 when it recovered slightly. 2020 has overall seen a large premium growth in package business.

Additionally, combined liability climbed up by 5% compared to Q4 in 2019, a more modest increase than what was recorded during the first half of the year.

Fleet was the only class of business in the index showing negative growth in 2020. Premiums fell by 3.3% in Q4, the fourth consecutive quarter of downwards movements.

Experts were not surprised by the fall in average fleet premiums. Smith



commented: “Fleet rating is driven by a number of factors and claims frequency is one of those; the changes in use of vehicles throughout 2020 as a result of Covid is certainly material in that.”

Looking ahead at 2021, Willis predicted that insurers would continue to try to push rate increases.

“I’d be disappointed but not surprised if that trend continued,” he stated.

He argued that, while some insurers will have had to make unexpected claims pay outs as a result of the business interruption test case, many of them will still have seen improved operating ratios.

Willis concluded: “There’s been pressure on rates for the last few years on the back of a soft market but actually reduction in economic activity across the board will probably stem some of that as we’ve seen in Q4.” ■

