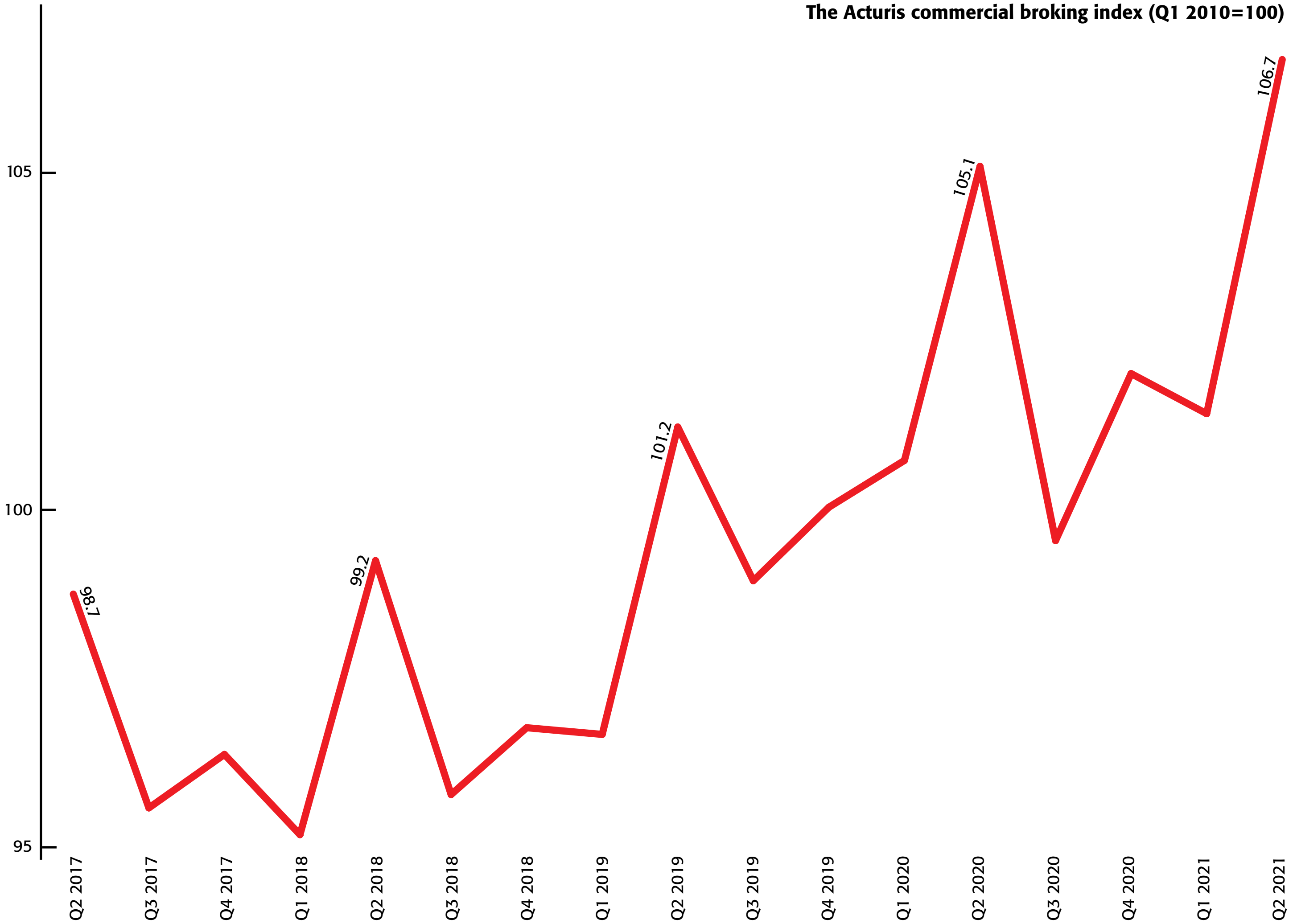
THE STATS – THE ACTURIS PREMIUM INDEX

The Acturis commercial broking index (Q1 2010=100)



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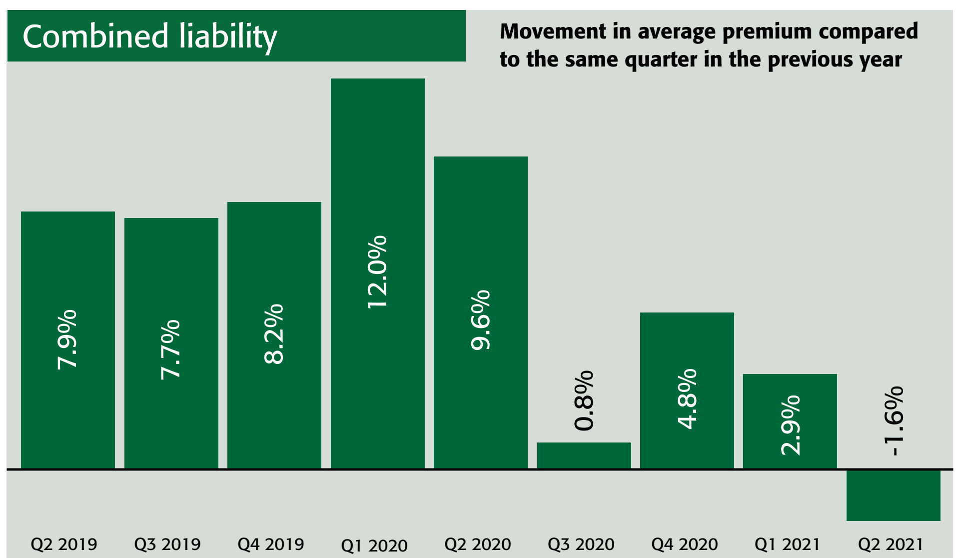
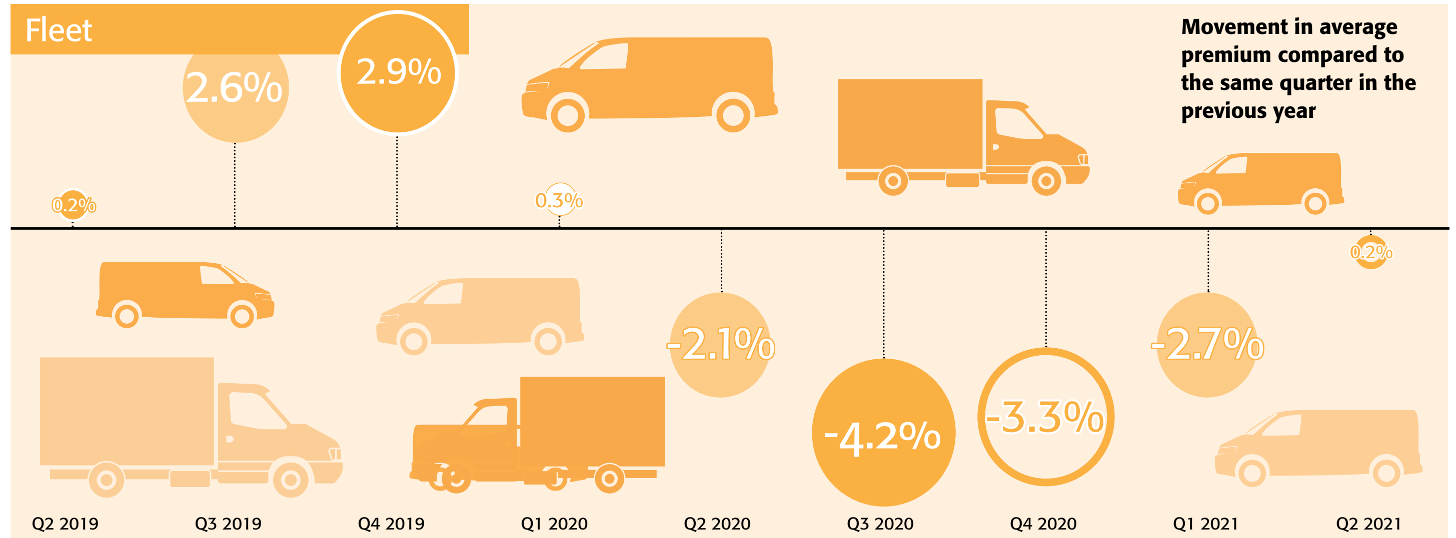
The second quarter of 2021 has continued the growth movement the industry saw last in the previous three quarters, with the average premiums increasing by 1.5% compared to the Q2 2020 value.

Property owners is still the best performing business line, with premium values rising 5.5% compared to Q2 2020.

Packages only saw minimal growth, while commercial combined and fleet have seen similar movements when compared to the same quarter in 2020.





However, Q2 2021 brought on a fall in premium for combined liability.

Looking at individual product lines, the Acturis stats revealed that this is the fifth consecutive quarter of more than 5% growth for property owners.

The class of business increased by 5.5% when compared to last year. Ashwin Mistry, executive chairman of Brokerbility, noted that property had not been necessarily impacted by Covid-19.

He explained: "It's very well documented that there is an acute shortage of materials, concrete, iron, timber, cement, bricks, so that has automatically fed into repair costs, which are going to be higher because of the longevity of the rebuild.

"The property market hasn't been impacted, but the cost of repairs of buildings has and, therefore, that feeds into the 5.5% rate increase that we're seeing."

At the other end of the spectrum, we find fleet, where Acturis revealed that premium values in the previous four quarters all decreased with respect to the same quarter in the previous year. Q2 2021 shows minimal movement when compared to Q2 2020.

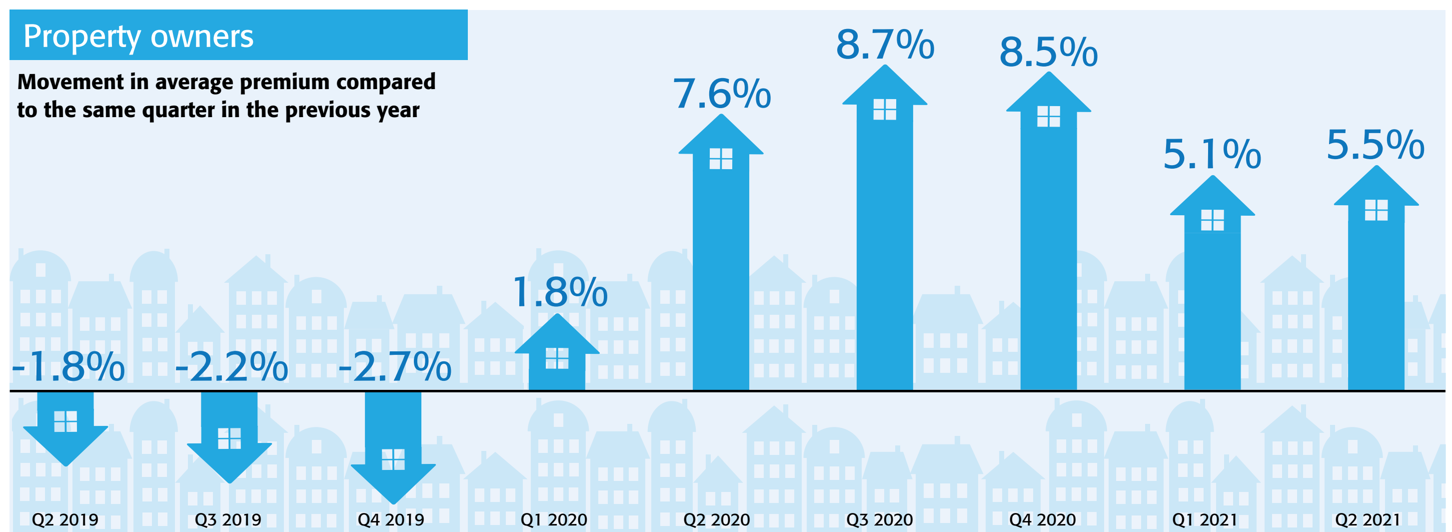
David Williams, managing director of Axa Insurance, detailed: "Rates have been down for a long time, and the reason for that is lockdown. Even though we're coming out of lockdown now, people are still using their vehicles less, there's less traffic on the roads.

"The market is now less competitive because nobody knows how long lockdown is going to remain and how long it's going to be before people return to their previous driving patterns."

Mistry believes the market is going to see a stabilisation of fleet, adding that the business line will start to pick up in the last quarter of this year.

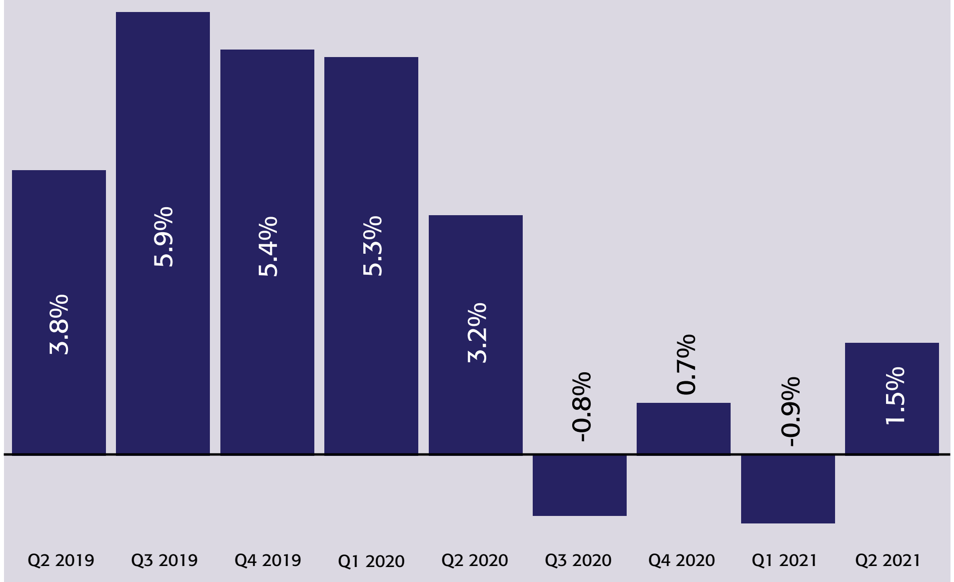
Combined liability has seen a sharp fall in premium, from 9.6% in Q2 2020 to --1.6% in Q2 2021. The decline has come as a surprise for Bryan Banbury, managing director of Russell Scanlan.

He said: "The thing that strikes me is combined liability going down, we've not really seen anything going down at the minute premium-wise. It might be going ▹



Commercial combined

Movement in average premium compared to the same quarter in the previous year



down because all the figures have gone down, so it's probably not rating."

Williams attributes the fall to the 'lockdown effect', adding that, when businesses have reduced activity, there's also a smaller likelihood of claims.

He explained that the safety measures companies put in place to protect people from Covid-19 would have an impact on workplace accidents even after coming out of lockdown.

For commercial combined, premium values monitored by Acturis have been stable in the last three quarters, seeing a premium movement of less than 1% compared to the figures from last year.

Q2 2021 premium movement has been slightly larger at 1.5%, which is up from the -0.9% in Q1 2021, but still lower than the 3.2% reported in Q2 2020.

Mistry said: "It's a small increase, but that could be a reflection of the reduced turnover and activity, and therefore a reduction in claims."

Williams predicts that, in terms of commercial combined and packages, there will be increases of 2-3% for the rest of the year.

Meanwhile, in packages, Acturis reported that the consistent growth experienced in the last year and a half is starting to slow, but that the movement of 1.8% from Q2 2021 to Q2 2020 is still an indication of positive year-on-year growth.

For the rest of the year, Banbury believes that, with premiums continuing to go up, it will be harder to get the best deal for clients, predicting a hard market for Q3 and Q4 this year.

"We're not seeing insurers being any more flexible, we would like them to be a bit more flexible, but we're just not seeing it," he concluded, adding that he doesn't think the figures would change much before next 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.

Packages

Movement in average premium compared to the same quarter in the previous year