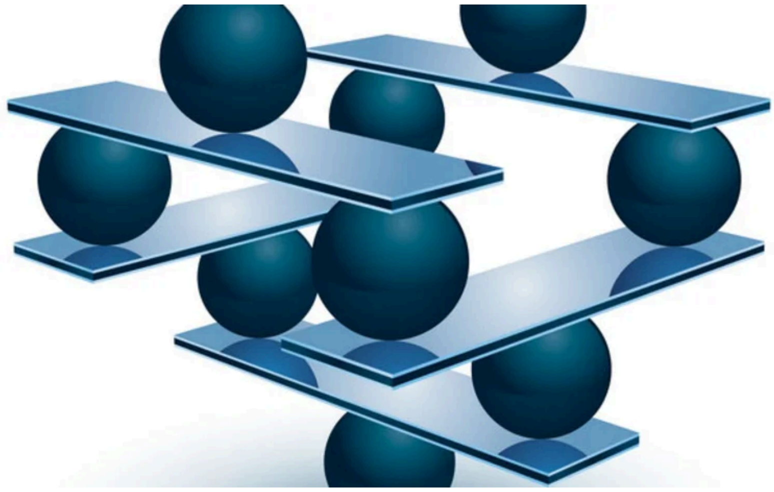
The stats: Q1 2024 - Commercial combined slows to near halt



By Rosie Simms
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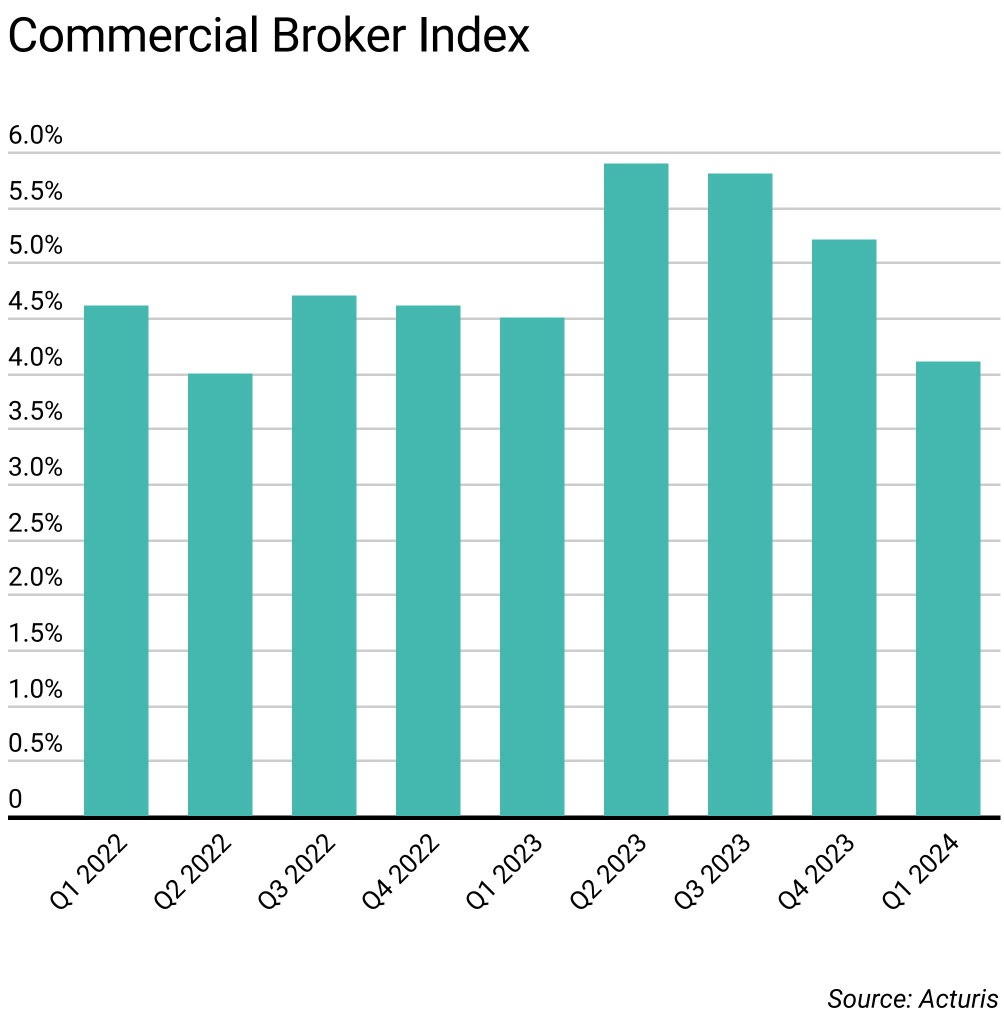
Indicative reading time: **7 minutes**

The year has started with almost no average premium growth in commercial combined while fleet and property owners have powered ahead, according to the latest statistics from Acturis.

The overall Acturis Commercial Broking Index, representing the average premium in a typical commercial book of business, continued to rise in the first quarter of 2024.

The weighted measure (see box at end) was 4.1% higher than Q1 2023. However, the increases have been falling steadily for three quarters in a row and has dipped below 5% for the first time in a year.

“This could be an early sign that the rate of premium increases is starting to cool, or simply just reverting to similar levels seen throughout 2022,” the software house noted.



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Growth

Mark Thomas, CEO of Compare Insurance, said his customers expect to see around a 5%-7% increase in their premiums annually, so anything within this range was to be expected.

Lee Davey, Partners& CEO for the South, highlighted the need for brokers to be prepared to have conversations with clients around insurers' appetite and reactions to prices.

"The index clearly highlights where insurer appetite is evolving. It does seem to be a game of two halves – in many areas, capacity is increasing, particularly from the narrow position we saw last year. Some lines are starting to show more capacity and are becoming more competitive," he said.

"However, in other lines, such as fleet and property, claims costs are increasing, supply chain issues remain a challenge and continuing indexation will result in an ongoing hard market."

With the rate of UK inflation currently sitting at 2% – halving since January – where lines are softening they are in effect following wider macroeconomic patterns.

Breakdown

By measuring the growth in average premiums in comparison with the same quarter in the previous year Acturis' indices give the best and most accurate year-on-year view. The stats supply a breakdown by key lines.

Commercial combined posted arguably the most dramatic performance, by barely shifting at all. While still ticking up marginally, by 0.3%, premiums were essentially at the same level as Q1 2023.

The line represents accounts for 35% of a typical broker's book, and so it is unsurprising the ever-slowing positive movements mirror those of the overall index. And will undoubtedly be concerning for brokers.

As the graph shows, this is the fifth quarter of slowdown in a row leaving it far behind the 6% rises seen in 2022.

Commercial combined

Source: Acturis

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Thomas claimed Compare is not seeing strong appetite from insurers on commercial combined: “We’ve seen loads of floods so I think insurers are more wary on that product, because there are things such as global warming, which is affecting more claims in that area.”

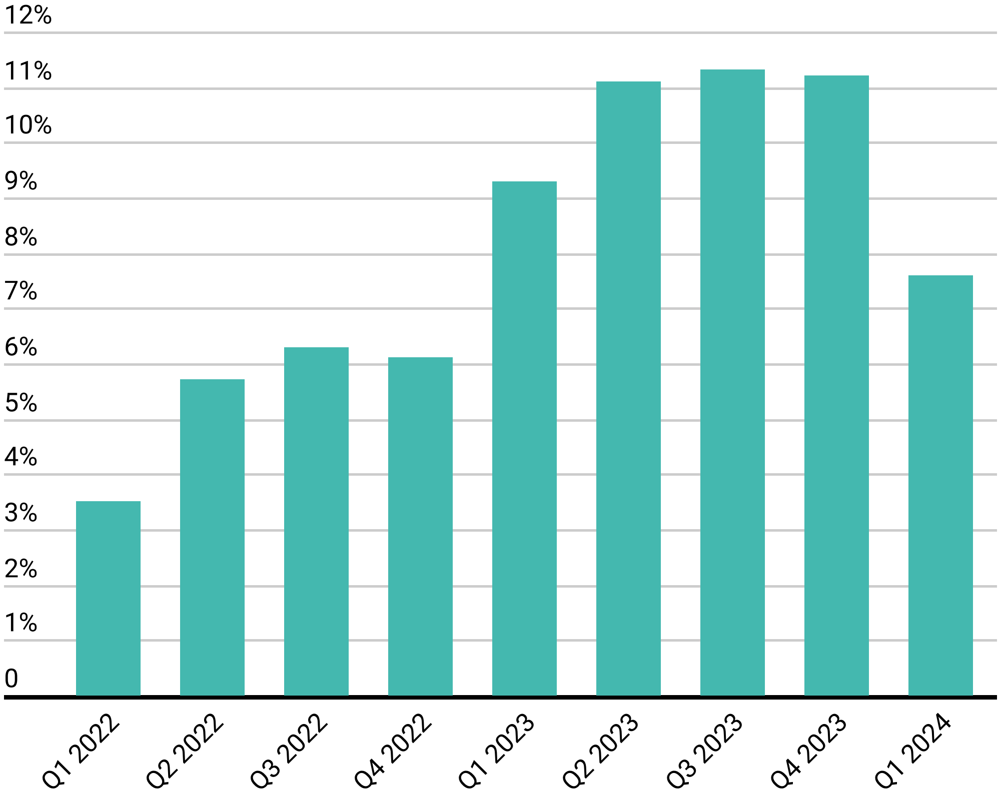
Power house

In contrast, the power houses during the first three months of the year were property owners and fleet.

That said, while its 7.6% growth was substantial, the performance of property owners was still lower than previous quarters. Three of the four quarters in 2023 posted double digit increases.

Ranking as the third most weighted category – 18% – it is another essential component of brokers’ books.

Property Owners



Source: Acturis

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Increases in average premiums can of course be driven by rate rises, changes in the size of the risk or a combination of both.

Thomas reported that insurer appetite was "excellent" for property and the rises make sense.

"What we see with property owners is that when we get to renewal, and we then look at especially multiple properties, they are increasing their sum insured because there's been an increase in property valuations," he explained.

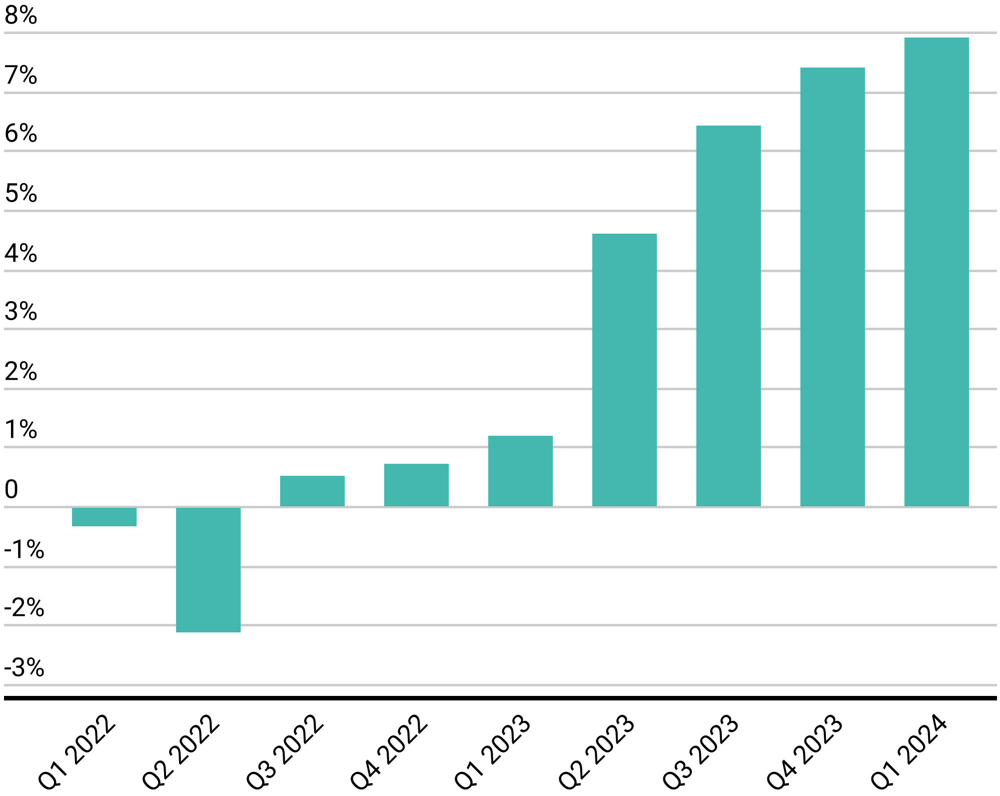
Davey stated the Grenfell disaster was still affecting the price of insurance and brokers need to explain wider contexts to clients.

"Rather than leave them [clients] to jump to the assumption that someone is profiteering from the high premiums, it's important to explain the factors that are driving this continued hard market," Davey said. "Putting ourselves in the underwriters' shoes, we need to think creatively around what clients can do to minimise their risk and protect their business."

Star

The standout star for the quarter was fleet. Not only did it have the biggest uplift, of 7.9%, but it has also powered on in an upwards curve. Indeed the result was its highest quarterly rise on record.

Fleet



Source: Acturis

Share

The performance came against a backdrop of personal motor premiums starting to fall, by 5% in Q1 according to Confused/WTW, the first reduction in over two years.

Similar factors, such as inflation, rising import prices, higher parts, paint and labour costs have all been blamed in personal motor and hit fleet too. So why the delay?

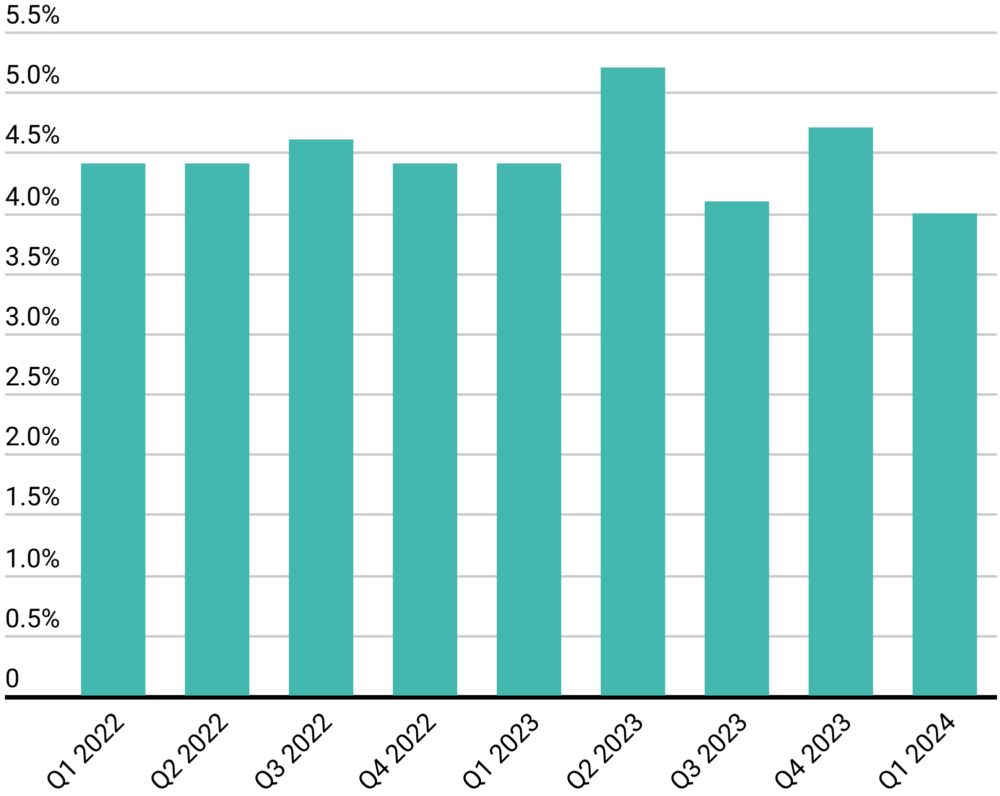
"Fleet has historically been slightly behind private lines. It is primarily driven by the data that comes through is a little slower," said Stuart Cooper, account director at Miles Smith, who heads up the motor fleet team.

Similarly, Gerry Ross, head of commercial motor at Allianz Insurance, admitted to being surprised it had taken so long given the comparable pressures of energy costs, labour shortages and availability of parts. "The market cycles in commercial are just delayed in comparison to what we saw in retail," he said. "I would expect to see the index continuing in the same vein in the coming months."

Pair

The final pair represent the smallest chunks of the broking index.

Packages



Source: Acturis

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Packages accounts for 12% of the weighted book. "The packages index has been remarkably consistent in recent years, and that is no different at the start of 2024," Acturis observed. The 4% increase in premium was similar to each quarter since 2022. Only once, in Q2 2023, has the premium rise been north of 5% and even then only just.

Thomas assessed there remains good demand for insurers to write packages businesses, a profitable line where rate rises are not currently needed to cover losses.

"It is seen as a good risk, I think, to insurers, and therefore they have to be competitive in the business.

"If certain insurers were increasing above that ratio, then they might get less business, they can't push it up higher because of that reason."

Volatility

Which just leaves combined liability and its 10% weighting. On the face of it the headline result of a 3.4% increase was similar to the 4% seen in packages.

But this masks a greater level of volatility. Within the last two years changes have ranged from 10% hikes to 1% increments.

Source: Acturis

Share

Thomas explained Compare can struggle to find markets for combined liability at the moment.

"When there's an area which is very difficult to place normally it is because insurers have made losses or find that a more volatile market. We are having a lot of trouble trying to place this risk currently."

He concluded: “It is a more volatile industry and I think climate change is having an impact on combined liability. If you follow that trend of things happening, like floods or freezes that cause large amounts of claims, that might have an influence on why they had to alter their pricing.”

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 £16bn 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.
