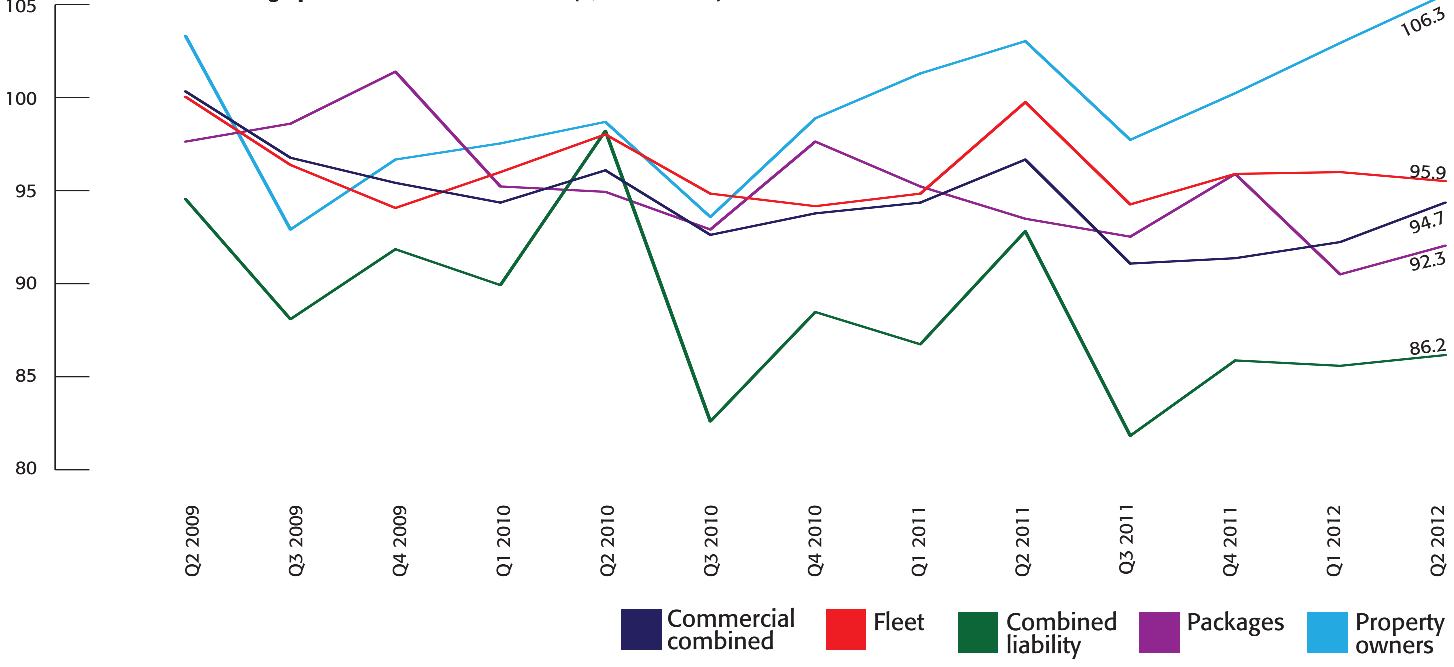
THE STATS – THE ACTURIS PREMIUM INDEX

Indexed average premium across all indices (Q2 2007=100)



● Just like a broken record, the lyrics 'soft market' are once again being repeated according to the latest Acturis Premium Index statistics.

With the exception of property owners, average premium levels this quarter are still languishing compared to the base rate recorded in 2007. And on a year-by-year basis these figures make for further difficult reading for all involved in insurance.

Combined liability during the second quarter of 2012 was down a sizeable 7% on the same period last year while fleet premiums were 4% lower compared to Q2 2011.

Meanwhile, commercial combined and packages also made for frustrating viewing, recording 3% and 2% falls respectively.

As Mike Crane, commercial director at LV Broker, aptly summarises: "It doesn't take a genius to say this not a great place for commercial insurers."

"Across the board it's still a little grim – this reflects that businesses are in a tight place."

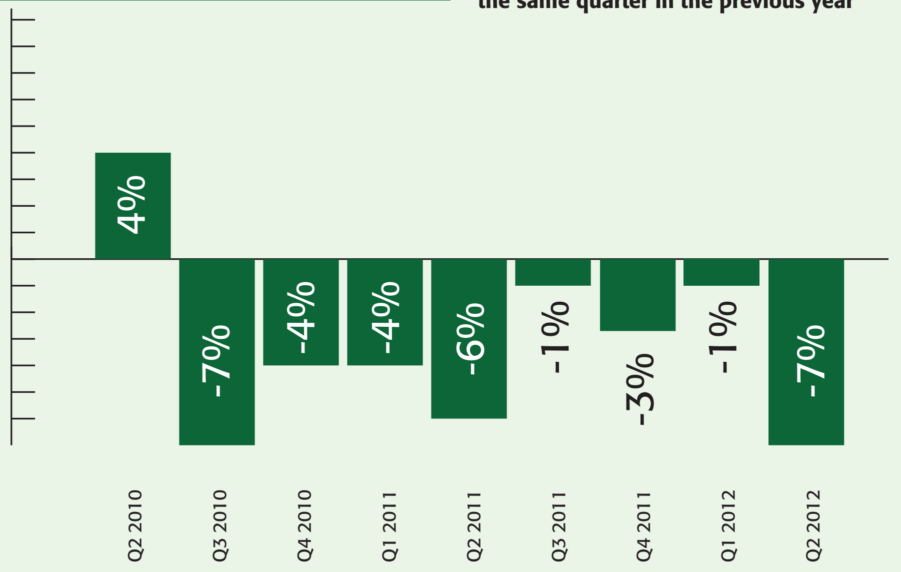
According to Mr Crane, the year-on-year premium decrease for Q2 is a result of the competitive pressure that insurers have faced.

Business is regularly moving between carriers and when customers do eventually put their hands in their pockets for a policy, they are choosing to splash out on less.

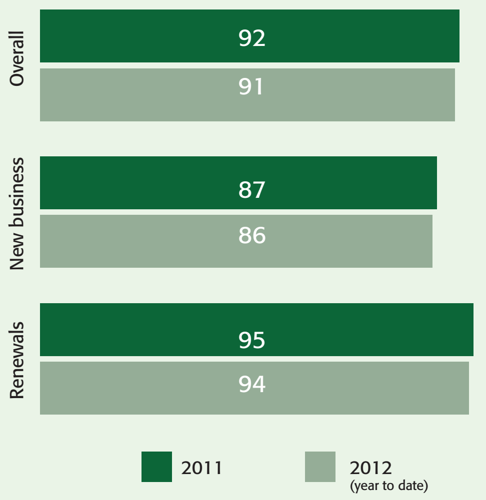
What's more, providers are increasing the frequency of their policy review cycles,

Combined liability

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

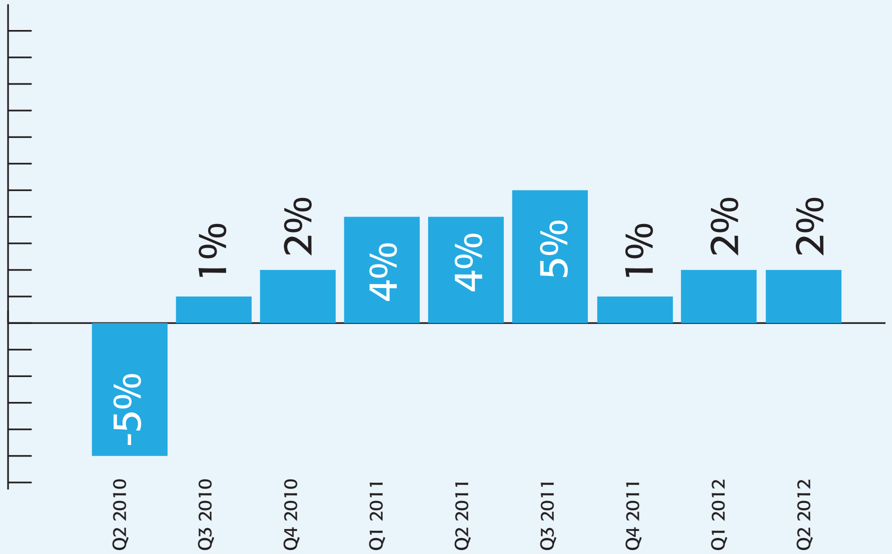


Comparison of average premium for whole year (2007=100)

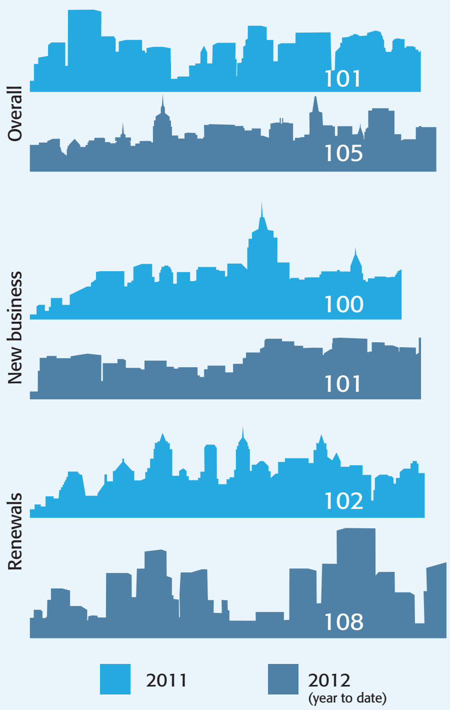


Property owners

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



Comparison of average premium for whole year (2007=100)



further driving down premiums. And specifically, it is now the eighth consecutive quarter that combined liability has recorded premium falls when compared to the previous 12 month figure.

According to Acturis, this has been further compounded by the fact that in years gone by the index has normally recorded a "significant increase" in average premium between Q1 and Q2.

However, this year the quarterly increase was less than one percentage point on the 2007 baseline which, as Acturis states, is "by far and away the smallest Q1 to Q2 transition seen in the index".

Standing apart from the average premium falls has been the performance of property owners on both a quarterly and year-on-year basis.

Explaining the figures

The quarterly figures, compiled by Acturis' Will Smith, are calculated on a base line from the second quarter of 2007. These three-monthly movements are supported in the text by year-on-year developments. In this manner the analysis highlights both short-term trends affecting brokers on a day-to-day basis along with longer view comparisons that are most likely to set the pricing of similar risks against each other.

The two measurements registered increases and, for the quarterly category, the 106.3 rating was the highest posted since Acturis began recording these figures. What's more this represented the eighth consecutive quarter of positive year-on-year growth.

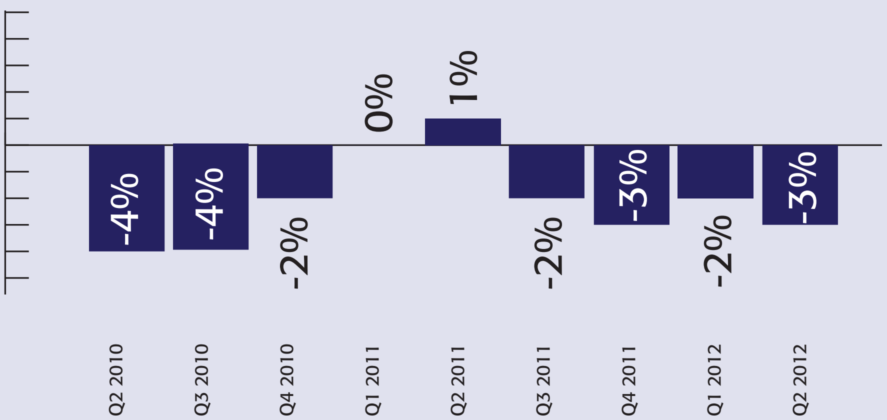
As Acturis reports: "Year-on-year comparatives show that both new business and especially renewal premiums have increased in the first half of 2012 with respect to the average premium in 2011."

But, on a sobering note, Mr Crane admits he is "surprised" at these reported increases.

"We are not seeing property owners make as big strides forwards," he assesses. If anything he attributes the rises to the potential impact of inflationary pressures, ▹

Commercial combined

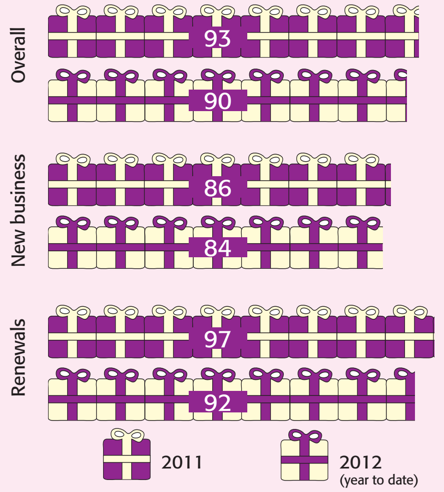
Growth in average premium compared to the same quarter in the previous year



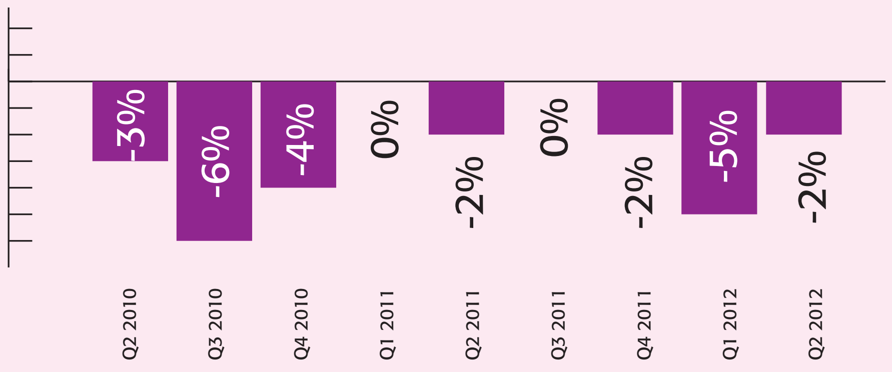
Comparison of average premium for whole year (2007=100)

Packages

Comparison of average premium for whole year (2007=100)



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



making the numbers appear healthier than they actually are.

With rates remaining stubbornly soft, Mr Crane spares a thought for the brokers having to contend with this bearish pattern.

He cites: "From a broker perspective it's tough love, more work, less returns."

And from a broker's point of view, the published figures do make for intriguing reading. As regular readers of Acturis' quarterly statistics will know, there are often discenting voices about the figures not matching their experience. But Clive Galbraith, chairman of Green Insurance Group, has an interesting theory about why the numbers could be at variance with what he is seeing in the main.

He insists that, in terms of all these classes of business, his firm is operating alongside insurers to work through 2%, 3% or even 4% increases in premium rates.

"That's what we feel comfortable carrying," he explains. "We feel they're sensible and sustainable for all concerned. Insurers have got to get the right premium for the risk and the coffers are empty."

Mr Galbraith believes that the year-on-year rate falls across the board are most likely down to insurers heavily cutting, on average, one in every 10 policies to desperately secure new business or ensure a lucrative renewal.

"There will be one they slash down – whether it's new business or business they don't want to lose," he states. "All of a sudden these 2% or 3% increases are wiped out.

"If you slash five grand, that's a lot of £75s."

Meanwhile, looking ahead to the year's denouement, Mr Galbraith fears that further rate decreases could be on the cards as the market approaches what he nicknames "last-quarter madness".

With insurers trying to hit their revenue targets he foresees further cuts across the categories as providers bid to win new business and also ensure no customers are lost.

"Despite the losses, the first thing they [insurers] will be looking at is where they are with their projected income," he explains.

However, Mr Crane voices a slightly more positive view as he takes solace from that fact that, irrespective of the year-on-year falls, all categories, save fleet, posted quarterly rises.

"I take some comfort from that," he assesses. And he believes there are the early signs of some underlying movement coming through into the market.

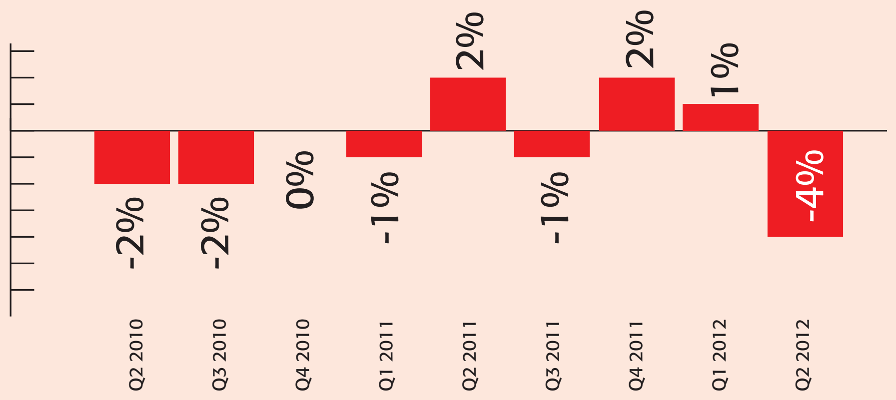
"Year-on-year there is still some pain, but there has been a more positive first half of the year compared to the last," he continues.

"The glass is half full, there is some sign of improvement. But there is some way to go until [premium rates are] neutral again." ■

ONLINE
▸▸ To see the last Acturis Premium Index and for more statistics go to www.insuranceage.co.uk/2193249

Fleet

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



Comparison of average premium for whole year (2007=100)