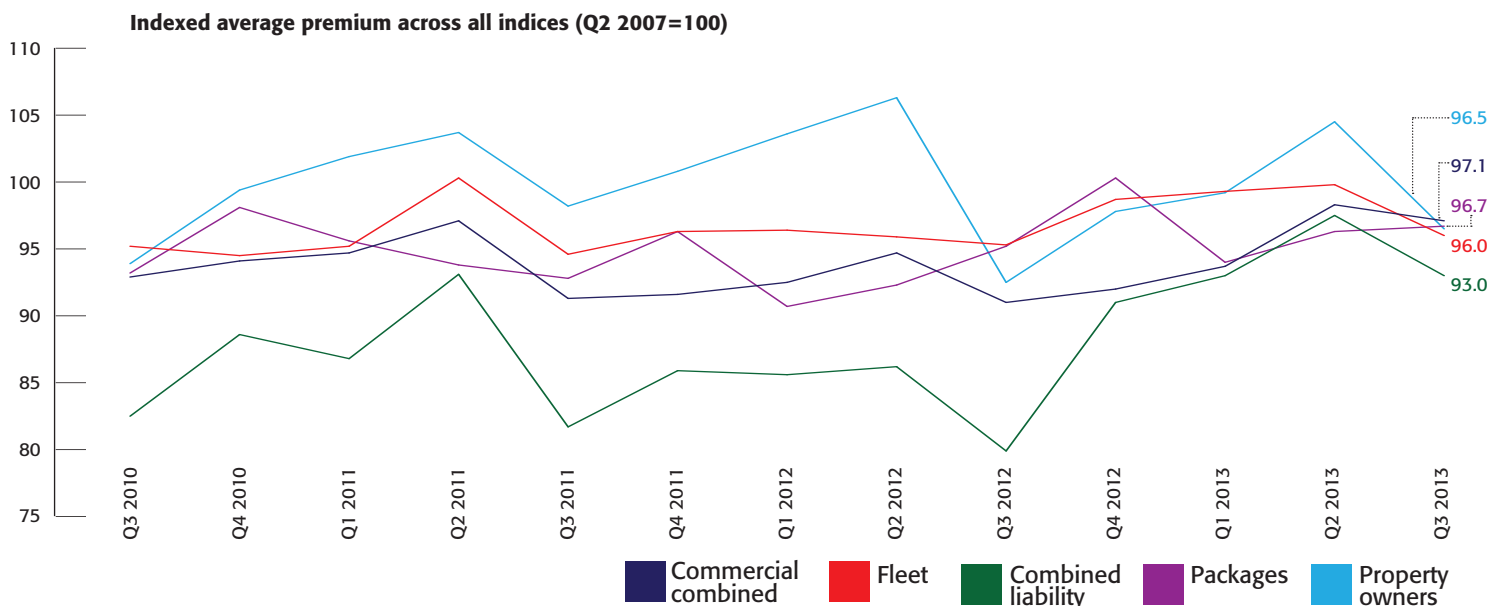


THE STATS – THE ACTURIS PREMIUM INDEX



● The latest Acturis Premium Index figures show positive trends over the last year or so.

At first glance that may not appear to be the case. The cyclical movements meant all indices, excluding packages, saw their usual drop in average premium between Q2 and Q3 – packages remained steady at 96.7%, compared with a baseline of Q2 2007 average premium.

However, Acturis stated: “Despite this, we see the Q3 results as positive for the market since all Q3 2013 index premiums are up on their 2012 premium counterparts, in some cases significantly.”

Furthermore, for four consecutive quarters, in commercial combined, combined liability, fleet and packages, average premiums were at least the same as they had been the previous year and often noticeably ahead.

Combined liability showed very impressive comparative by quarter growth. Despite the fact that between Q2 and Q3 average premiums fell, when comparing the same three months of 2013 with those of 2012 they were 16% up. This sizeable jump was driven by both new business and

renewals, with average premiums for both up on 2012 values.

Neil Clutterbuck, director, underwriting and technical, at Allianz Commercial, said that these kind of increases “suggested market hardening in the product line”. Not so positive however, were the figures around fleet.

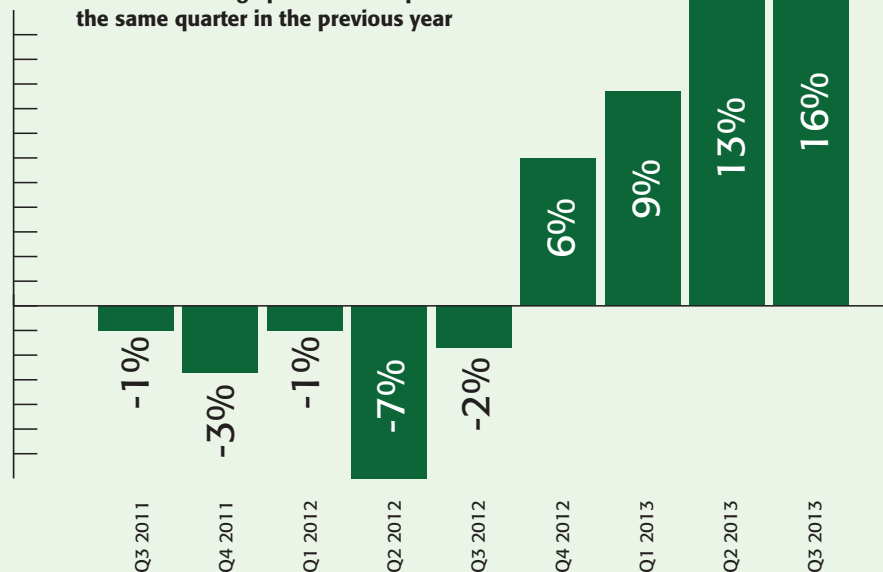
On this index, Clutterbuck stated that Allianz was outperforming the Acturis figures, which he revealed were “somewhat lower” than he would have expected.

He specified: “I would have expected rate rises in excess of 6%.”

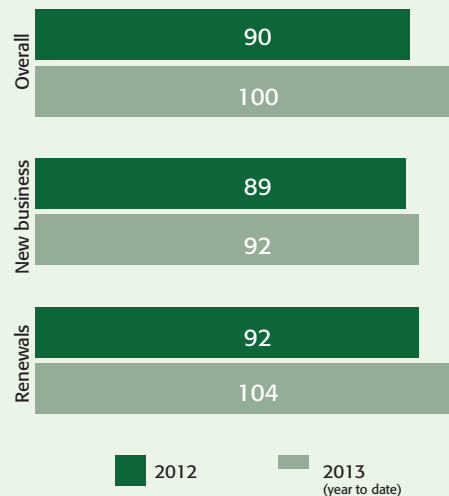
The average fleet premium in Q3 2013 was just 1% higher than in the same quarter of the previous year. In the year to date, the ▶

Combined liability

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



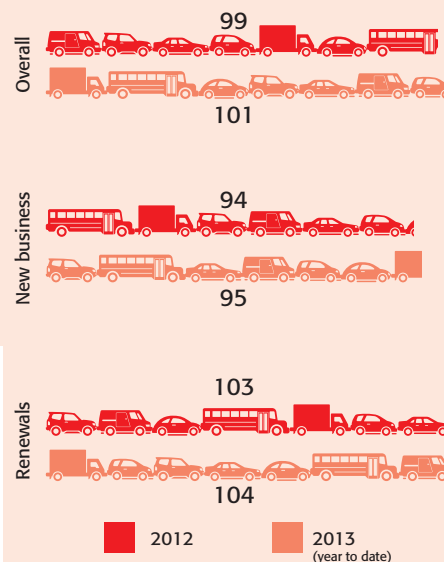
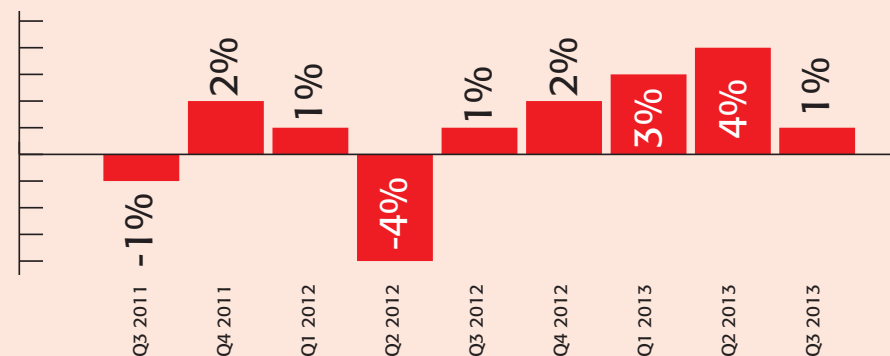
Comparison of average premium for whole year (2007=100)



Fleet

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

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



overall average premium is 1% above the base rate recorded in 2007. This is still a slight improvement on the whole year figure for 2012, when the average premium was down 1% on the same base rate.

While any improvement is positive news, Clutterbuck said he was disappointed with the year-on-year numbers for fleet.

He also pointed out: "It's important to bear in mind whether or not the current pricing we are seeing is sustainable and whether it's keeping pace with claims inflation."

Paul Trivett, underwriting director at RSA, took a similar position on fleet. He claimed that the motor market would feel the benefit of law reform, but added: "This may be neutralised by insurers still needing to price adequately for ongoing bodily injury inflation, especially at the larger end of the scale."

However, Trivett was, in the main, optimistic about the fleet market. "The fact that there is still a good level of capacity in the market for all but the heaviest of risks, means that brokers will still be able to find good deals for clients with good track records on claims and a positive attitude towards risk management," he said.

While property owners did not match the other indices' level of growth, in Q3 2013, rates

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 quarterly year-on-year developments, comparing identical quarters a year apart. 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.

jumped to 4% more than in the same period of 2012. Acturis described this as "especially good news", as the property owners index has struggled in recent quarters – indeed in Q3 of last year, average premiums in the index were 6% below the previous year's rate.

This quarter is the first time the index has seen year-on-year growth in property owners business in over a year. Furthermore, renewal premiums for the year so far have also seen an increase on the average 2012 renewal premium, although the same measure for new business premiums are down on 2012 values. The net effect is that the overall figures show a small

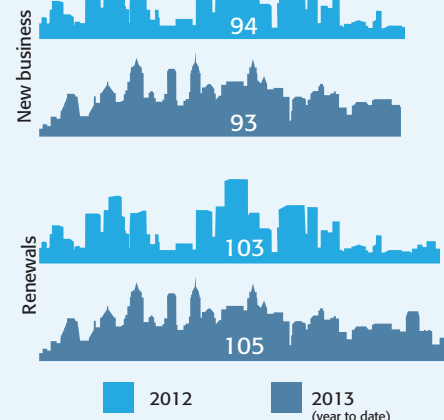
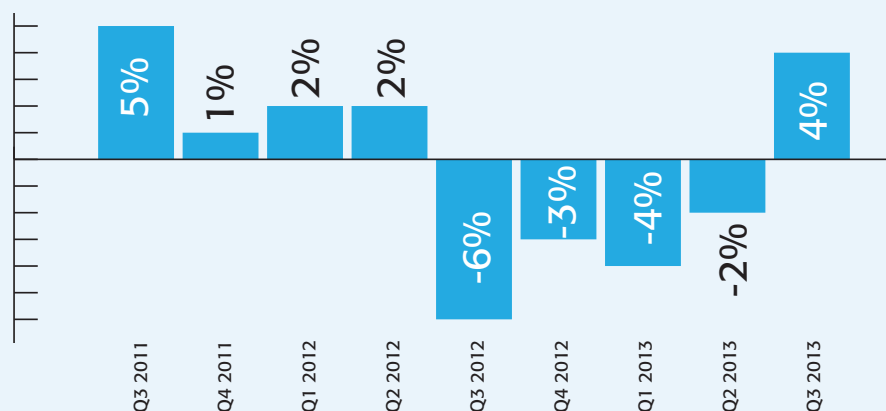
increase in 2013 so far compared to the full year 2012 value and there is of course still one quarter to go which may yet show further premium growth.

A spokesperson for Hiscox agreed that its property owners division had seen a "similar profile" in its broker business, although they pointed out that as a more niche insurer, the company acts "as a price setter rather than price taker", and therefore does not tend to follow peers' rating trends exactly. ▶

Property owners

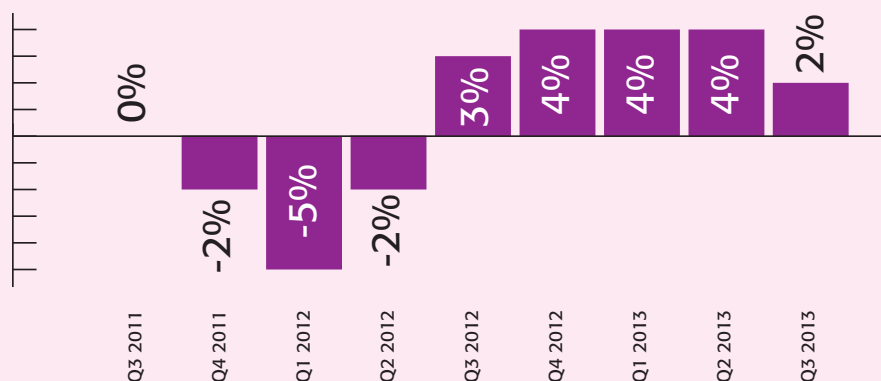
Growth in average premium compared to the same quarter in the previous year

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



Packages

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



The packages index continued to show a positive growth trend. For the fifth consecutive quarter, average premiums were above those achieved in the identical period of the preceding year.

The overall average premium for the year to date was 1% higher than the 2007 base rate, with both new business and renewals in the packages space showing an uplift.

RSA's Trivett acknowledged that the packages arena was "very competitive", with a lot of appetite. He added: "And [there are] plenty of opportunities to consolidate and form schemes at the smaller end."

Finally, the commercial combined index proved most interesting to Allianz's Clutterbuck. The growth in the first three quarters of 2013, with Q1 average premium coming in at 1% greater than Q1 2012, Q2 at 4% higher and Q3 up 7%, represented "quite an up-tip".

And this evidence of market hardening, continued Clutterbuck, has ramifications for brokers. "It places an imperative on brokers to explain the claims inflation to their clients," he said, adding: "And I think insurers have a key role to play in that, by providing support and education."

Clutterbuck highlighted that part of the

challenge that brokers face in this regard is that clients themselves may be trading through a "difficult" environment and may therefore be looking to cut costs.

Furthermore, he suggested that many carriers' commercial combined books would have been helped by benign weather in 2013, which "may have masked errors in other lines, particularly in casualty".

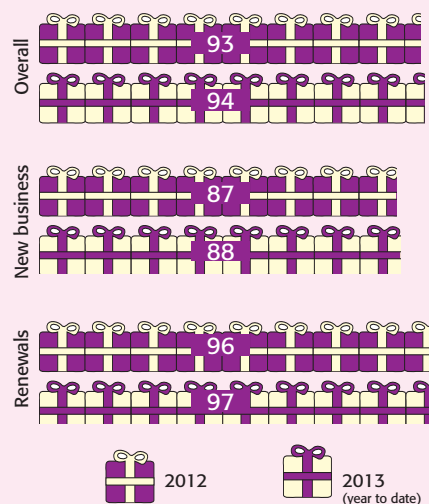
However, he was largely positive on the outlook for rates and predicted that growth in premium was set to continue. "There's a little bit more confidence in the economy," he reasoned. "And once we see interest rates change there will be an increased demand to underwrite for profit."

In addition, Clutterbuck attested that, in this space, legal reform on bodily injury was not delivering the savings that some companies had budgeted for, again necessitating an uplift in rate.

To sum up then, it is pleasing to recount that insurers responded positively to the latest Acturis figures.

Trivett felt they were reflective on the whole of RSA's pricing experience in the market. In terms of what lies ahead, he seemed certain that insurers will continue to push for rate

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



across most lines in 2014, as they "seek to re-balance the effect that sub-inflationary rate had on their books in previous years".

He continued: "The varying degrees of differentiation with which that rate is applied, together with the fact that there is still capacity out there, will mean that there will probably continue to be a gap between new and existing rates.

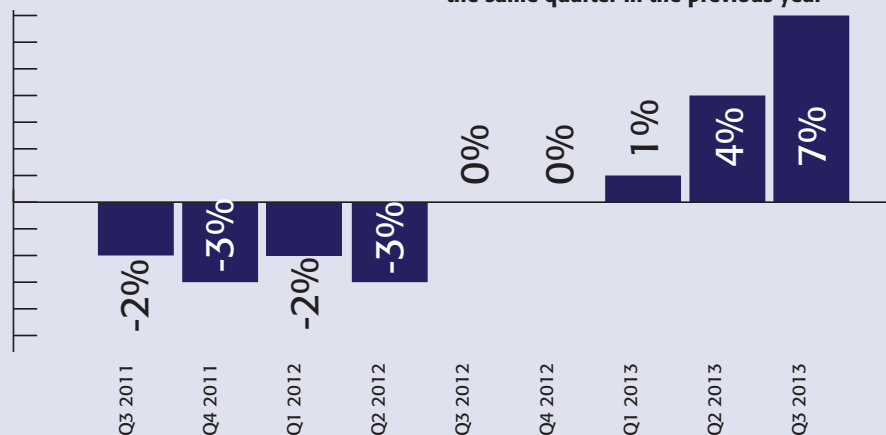
"The difference may close though as insurers get more and more sophisticated with their data and apply rate in smarter ways."

Allianz's Clutterbuck, while stressing that he was not quite as in line with the figures represented here – which he attributed to "a combination of indexation and maybe some slight recovery in the economy in general" – also reported a broader message that he gleaned from the statistics across all indices.

"This is a reasonable reflection of the need to increase prices," he said. Interesting times ahead indeed. ■

Commercial combined

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



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

