



MARKET: COMMERCIAL LINES

Acturis has analysed the aggregate trading data on the Acturis System for commercial lines business in the first quarter of 2009. Despite market rhetoric, the numbers show a mixed picture. In some classes such as combined and fleet there are signs of a bottoming out.

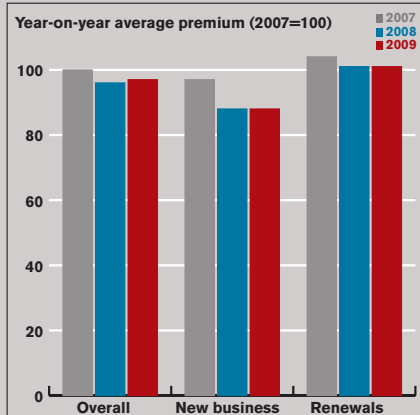
However, in others such as property owners average premiums continue to fall. There is still no consistent sign of significant increases in average premiums across classes, although it is not clear how much of this is due to the impact of the recession.

HOW THE FIGURES WERE CALCULATED

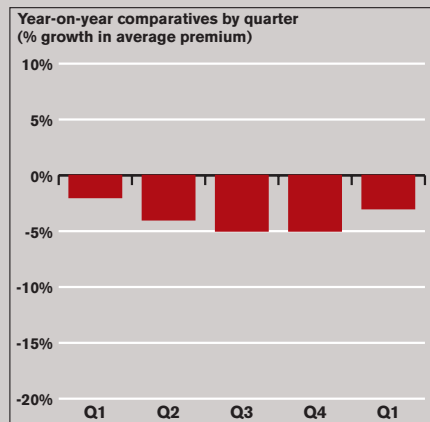
All renewal and new business trades on Acturis System in a particular class for 2007, 2008 and 2009 with extreme values removed: combined: £500-£65,000 premiums; packages £50-£4,000 premiums; property owners £125-£60,000 premiums; fleet £500-£60,000 premiums. Property owners includes commercial, residential and mixed business.

COMMERCIAL COMBINED

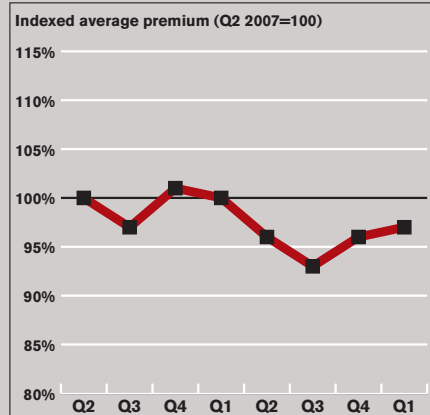
Commercial combined premiums, which represent some 20-25% of a typical broker portfolio, have stabilised – but not increased – in the first quarter of 2009 vs full year 2008.



Looking at quarterly average premium movements year-on-year, we can see that the rate of reduction has eased in Q1 2009 vs the previous three quarters. At least this shows that the rate of decline is beginning to slow.

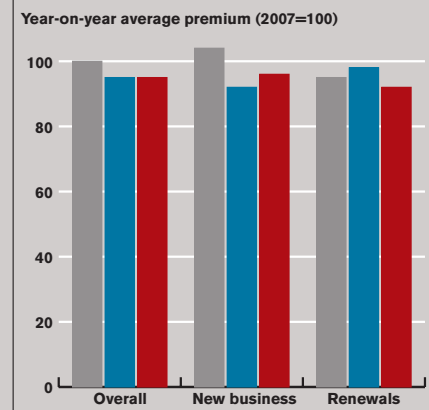


Finally, the graph below shows the quarter on quarter average premium movements (Q2 2007 is indexed at 100). We continue to see a small (<1%) increase in the first quarter of 2009 relative to the final quarter of 2008. Interestingly this was mainly due to new business (+3%) vs renewals (-1%).

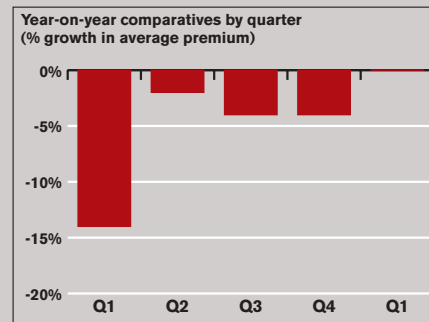


PACKAGES

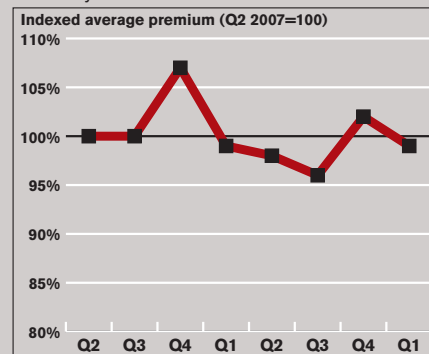
Packages include all popular small and medium-sized enterprises and micro packages (for example, tradesman, shops and offices) and typically total some 10% of a broker's portfolio. Average premiums have remained flat over the first quarter of 2009 relative to full year 2008, with new business premiums increasing by some 4% and renewal premiums decreasing by 6%.



Looking at quarterly average premium movements relative to the equivalent quarter 12 months earlier, we can see the reduction in average premium was evident across 2008 but has now reduced to zero in the first quarter of 2009, a good sign for the rest of the year.

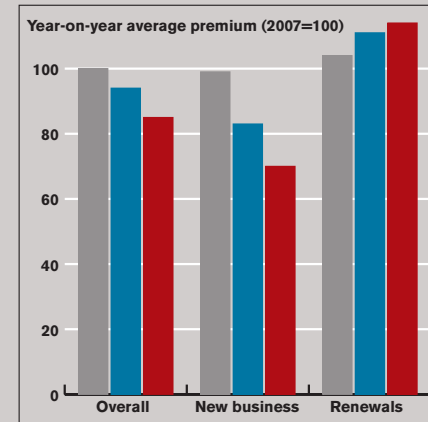


Looking at quarter on quarter indexed average premium movements, we saw a small reduction in Q1 2009, but this reduction was significantly less than the equivalent period last year. One needs to take account of the fact that there appears to be a cyclical reduction in average premiums during the first quarter of the calendar year.

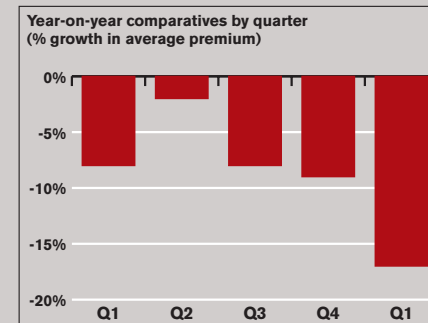


PROPERTY

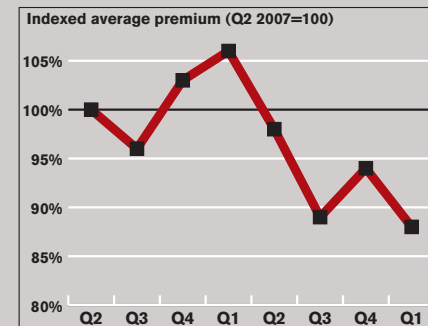
Property owners includes all property owners related premiums from £500 to £65,000. The statistics show that the outlook for this class of business continues to remain poor in terms of average premium increases. Average premiums have actually fallen by 9% for the first quarter of 2009 relative to full year 2008, with new business premiums falling severely and renewal premiums increasing, continuing the trend we saw in the final quarter of 2008.



Looking at quarterly average premium movements relative to the equivalent quarter a year earlier, the rate of reduction has increased significantly in 2009. This is the most severe quarter on quarter reduction we have seen across the classes in our sample. The reduction was most severe for new business.

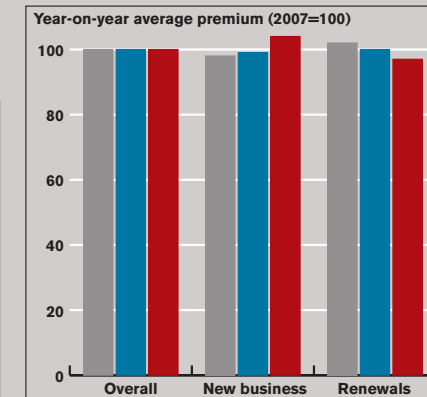


The index below shows a similar story. While a turnaround looked likely for the final quarter of 2008, this class has continued to show reductions, meaning that any intended average premium increases last year could not be carried through into 2009.

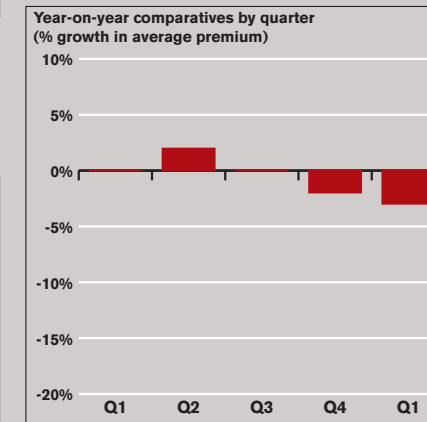


MOTOR FLEET

Motor fleet business represents some 20% of a typical broker portfolio. Average premiums for the first quarter remain flat compared to full year 2008 levels, with new business premiums continuing to increase by some 5% and renewal premiums continuing to fall.



Looking at quarterly average premium movements relative to the equivalent quarter 12 months earlier, there continues to be a mixed overall result with minimal movements up or down.



Looking at quarter on quarter movements, we see a pleasing increase in average premium of around 3% against the final quarter of 2008 although average premium levels remain below where they were 12 months ago. **IT**

