



Green shoots

Exclusive research from software house Acturis reveals, at last, some encouraging indicators of growth in the commercial lines market

IN THE THIRD of a quarterly series of market reports, Acturis has analysed the aggregate trading data on the Acturis system for selected classes of commercial lines business in Q2 2009. Acturis business analyst Gareth Hurst commented: "We are starting to see some emerging and encouraging signs that average premiums are increasing – especially in commercial combined and property owners. Fleet and package classes continue to exhibit a flat trend, with some signs of emerging growth in average premium."

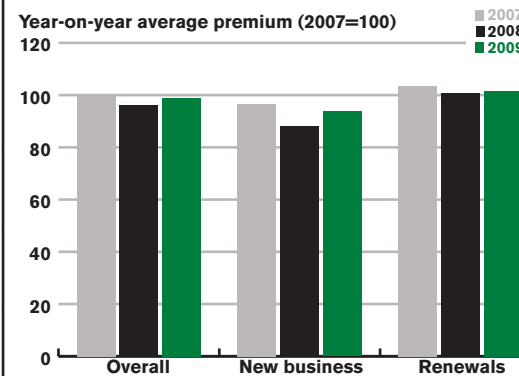
HOW THE FIGURES WERE CALCULATED

All renewal and new business trades on the Acturis system in a particular class for 2007, 2008 and 2009 with extreme values removed:

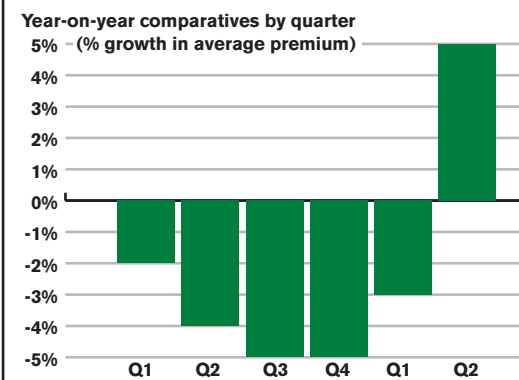
- Combined** £500-£65,000 premiums
 - Packages** £50-£4,000 premiums
 - Property owners** £125-£60,000 premiums
 - Fleet** £500-£60,000 premiums
- Property owners includes commercial, residential and mixed business.

Commercial combined

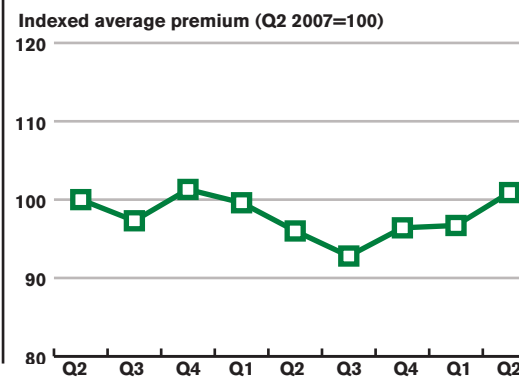
Commercial combined premiums, which represent some 20%-25% of a typical broker portfolio, have started to increase for the first time since these statistics were compiled. The year-on-year comparatives below show that the overall average premium is up from 2008 to 99% of the value in 2007. A large contribution to this increase has come from growth in average new business premium, which has risen by some 6% in the half year.



Also for the first time, the year-on-year comparatives by quarter are showing positive growth, with the average premium in Q2 2009 showing a 5% increase over Q2 2008.

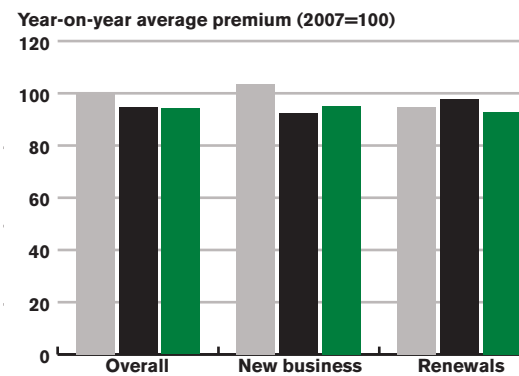


This is also reflected in the indexed average premium, as this is above the average premium in Q2 2007 for the first time since Q4 2007 (see below). Again, the main driver behind this is a hefty increase in the average new business premium for Q2 2009.

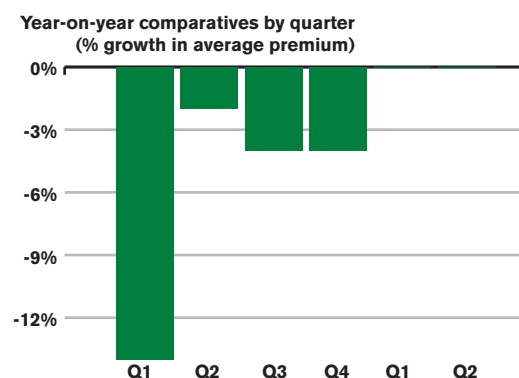


Packages

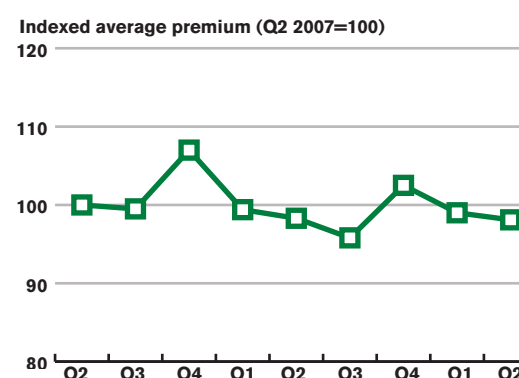
Packages include all popular SME and micro packages (eg tradesmen, shops and offices), and typically total some 10% of a broker's portfolio. Overall, average premium for package products has fallen very slightly, by less than 0.5% in the first half of 2009 compared with the whole of 2008. This has been maintained by a 2.8% increase in average new business premium, while average renewal premium has dropped by 4.9%.



Looking at the year-on-year comparatives by quarter below, we can see that the rate of decline has flattened in 2009, with the value for Q2 static at 0%. We will have to wait until the Q3 figures come out to see if this is the bottom of the trough, or just a brief respite in the decline.



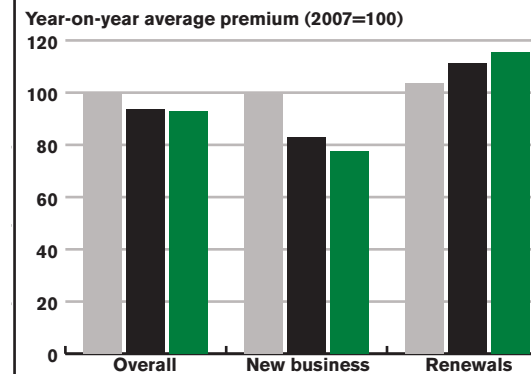
Finally, taking the indexed average premium measure, this has dropped slightly from Q1 2009 to Q2 2009, underlining the fact that the average premium in this class of business is not increasing.



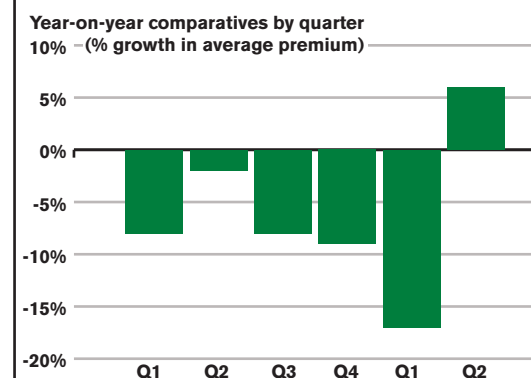
Property owners

Here, we are seeing the first signs of increases in average premiums. While the overall average premium for the first half of 2009 is showing a slight decline of less than 1% compared with that of 2008, this very slight drop belies some significant changes occurring in the average new business and renewal premiums.

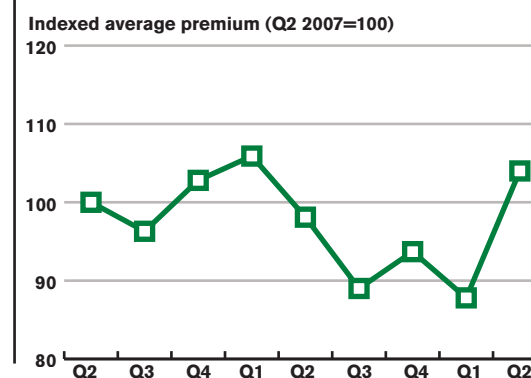
The average new business premium has continued to fall, although this decline is slowing down. Meanwhile, the average renewal premium continues to increase. This also appears to be slowing down, however.



Encouragingly, the year-on-year comparatives of indexed average premium paint a more attractive picture, with Q2 2009 showing 6% growth when compared with the same period in 2008 – the first growth of this kind for the last six quarters.

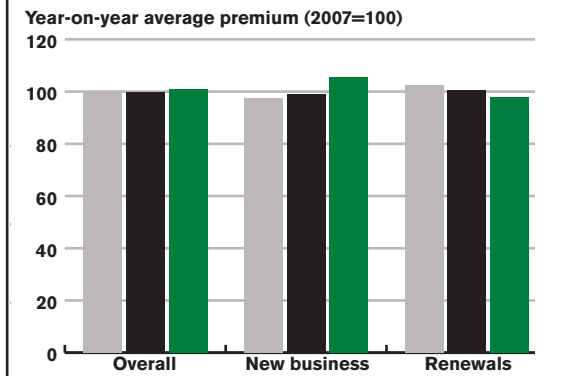


When looking at the indexed average premium, we can also see a sharp increase for Q2 2009, to put the average above 100% for the first time in 15 months.

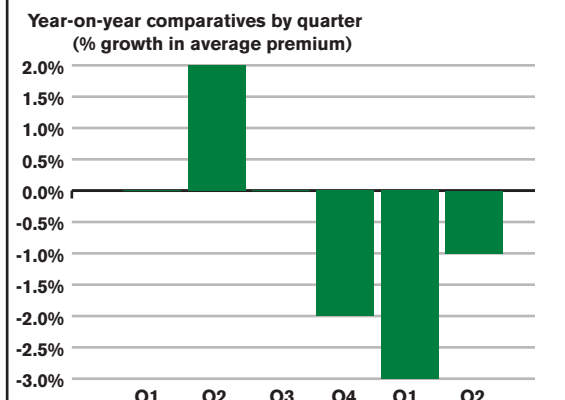


Motor fleet

Motor fleet business represents some 20% of a typical broker portfolio. We can see below that the overall average premium for fleet has remained relatively stable, but is still showing a 1% increase from 2008 to H1 2009. Looking beyond the overall figures, we can see that the average new business premium has risen sharply from 2008, while the average renewal premium has continued to decline steadily.



Looking to the year-on-year comparatives by quarter, we can see that the decline appears to be slowing, with Q2 2009 only 1% down on Q2 2008.



Moreover, the indexed average premium has continued to increase each quarter since Q3 2008. This measure has shown a trend over the past two years of a sharp drop from Q2 to Q3, however, so it remains to be seen whether this trend will reappear in Q3 2009 and how this will affect the overall average premium for fleet. **IT**

