



NC Insurance

Acturis Commercial Lines Indices

Q1 2020

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Overview

The first quarter of 2020 has seen a continuation of trends observed throughout 2019. The Acturis Commercial Broking Index has seen a significant increase of 4.2% from Q1 2019 to Q1 2020. All lines of business contained within the index have seen increases in premium, with only Fleet seeing a minor movement.

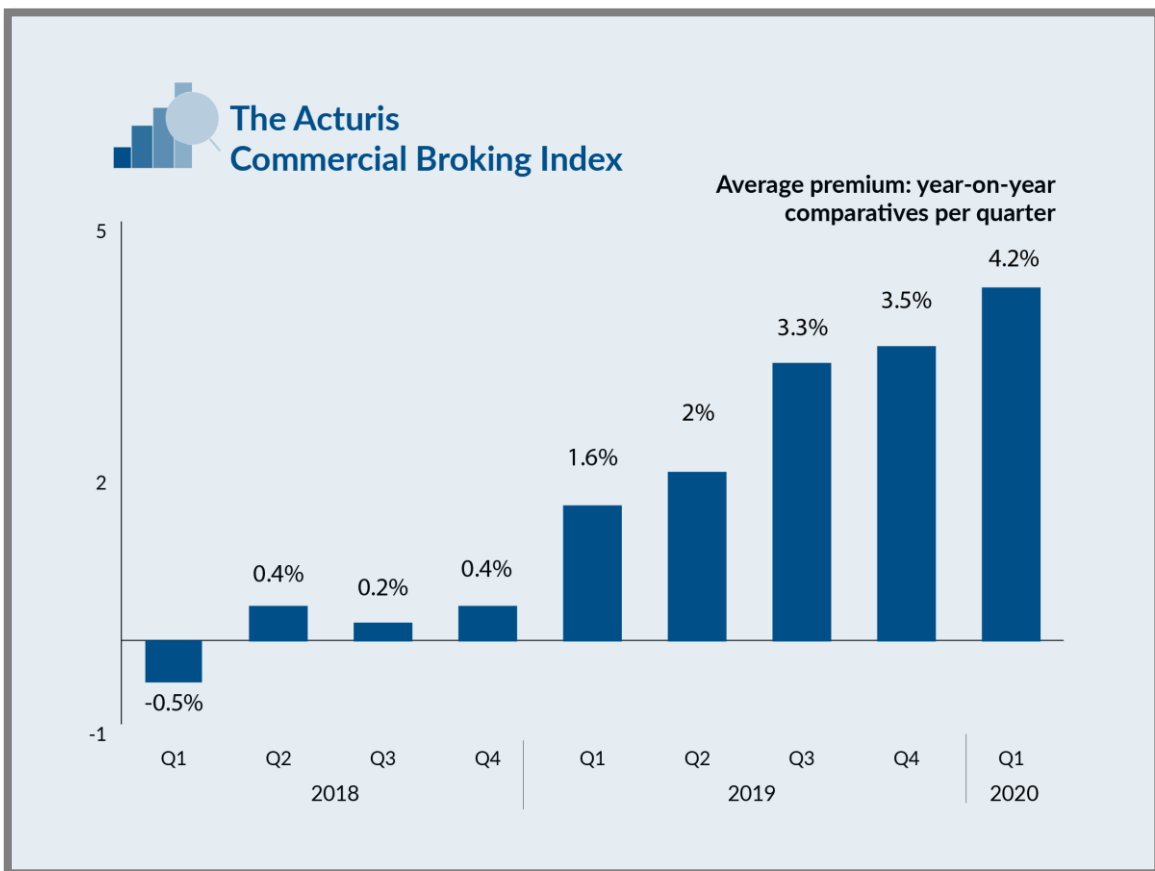
At present it is unclear whether this premium increase, which is the largest seen in the Commercial Broking Index to date, is purely a continuation of recent trends, or whether this is the start of a larger reaction to the Covid-19 crisis. The majority of the business within the index would have been quoted for well before the full impacts of Covid-19 were realised, and so market reactions to this are more likely to become apparent in the coming quarters.

ACTURIS COMMERCIAL BROKING INDEX

The Acturis Commercial Broking Index represents the average premium in a typical commercial book of business. The Q1 2020 premium value increased 4.2% compared with Q1 2019. This is the largest such movement compared to the same quarter the prior year since the Index began. This continues trends that were observed throughout 2019. Throughout 2019, each quarter saw a larger increase compared to the same quarter in 2018.

The underlying reasons for the large premium movement in Q1 2020 could be a continuation of 2019 trends, with pricing increases offsetting deteriorating underwriting results, as well as a result of a reaction to the Covid-19 crisis.

The impact of Covid-19 in the UK accelerated rapidly from the end of February until the end of March, at which point the majority of the business within the index would already have been quoted for before rate changes resulting from Covid-19 took effect. For this reason it is likely that next quarter's Index will see the full impact of Covid-19 across a whole quarter of business.



The constituent classes of business within the Index have all seen notable premium increases compared to Q1 2019, with the exception of Fleet at 0.3%, and Property Owners to a lesser extent at 1.8%. The Commercial Combined and Packages both saw increases of over 5% at 5.3% and 5.6% respectively. The largest was the Combined Liability Index, which saw a 12% increase in premium compared to Q1 2019.



COMMERCIAL COMBINED

Commercial Combined is the most highly weighted class of business in the Acturis Commercial Broking Index, at 35%. Trends in this index have been very similar to the Acturis Commercial Broking Index since 2018. Small movements can be observed throughout 2018, and then a trend of increasing positive growth throughout 2019.

The Q1 2020 **increase** on Q1 2019 is of a very similar magnitude to the Q4 2019 increase on Q4 2018, suggesting growth this quarter is primarily a continuation of trends seen throughout 2019 rather than a new phenomenon this quarter.

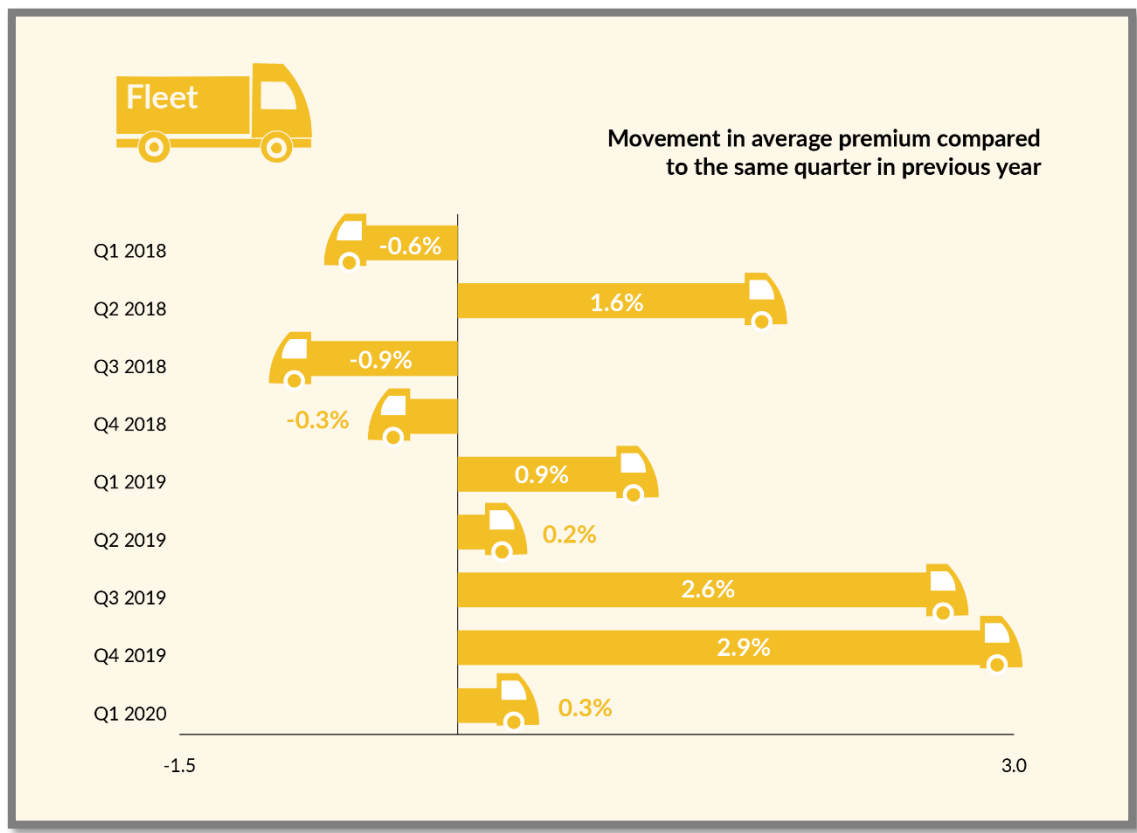


FLEET

Fleet is the second largest class of business in a typical broker's book (25% weighting in the Acturis Commercial Broking Index). Similar to Commercial Combined, the Acturis Fleet Index saw two notable quarters of growth on the same quarter the prior year in Q3 and Q4 2019.

Unlike Commercial Combined, this level of growth has not continued into 2020. The Q1 2020 index value has seen only a **minor movement** of 0.3% on Q1 2019. One explanation for this could be consumers starting to reduce the number of vehicles they have on cover in light of Covid-19 travelling guidelines.

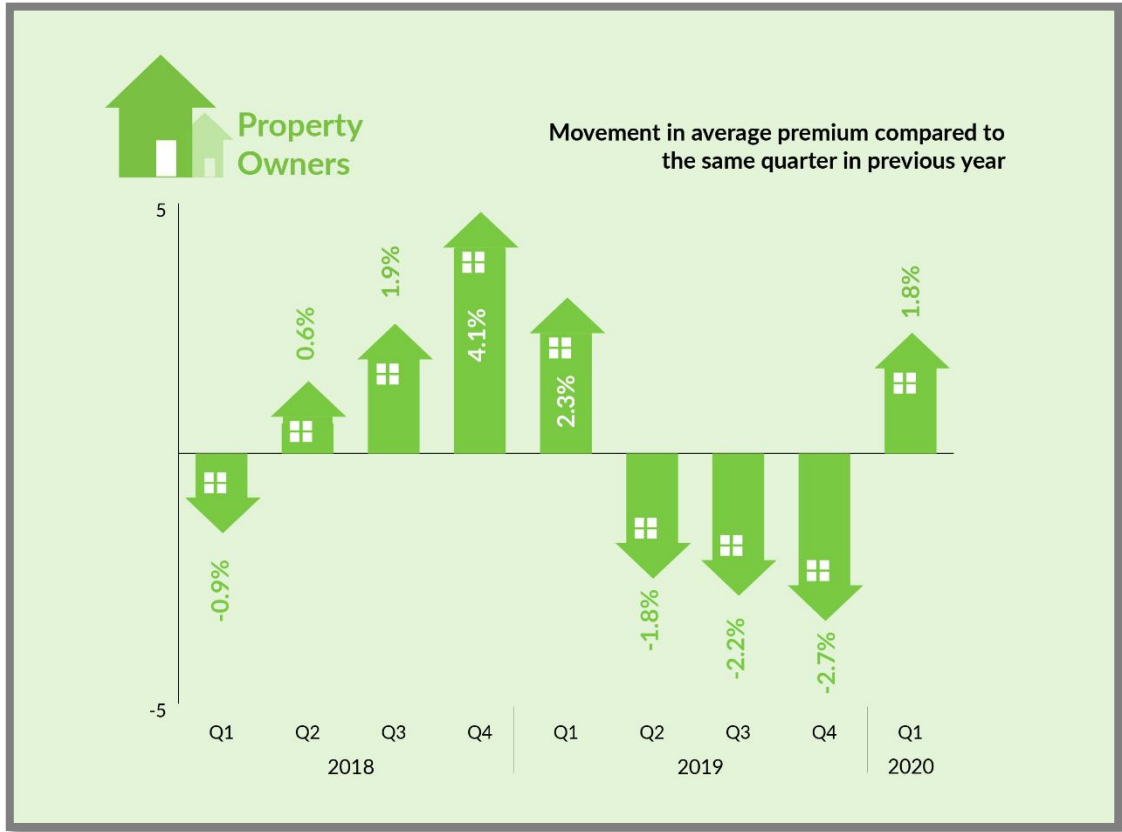
However, Fleet is historically a stable index, and the Q3 and Q4 2019 movements were the largest for some time, and as noted previously it may be too early to tell whether this trend is a reaction to the Covid-19 situation or not.



PROPERTY OWNERS

Property Owners is the next most highly weighted class of business in the Acturis Commercial Broking Index at 18%. Premium in 2019 saw negative quarter-on-quarter growth with respect to the prior year in the final three quarters.

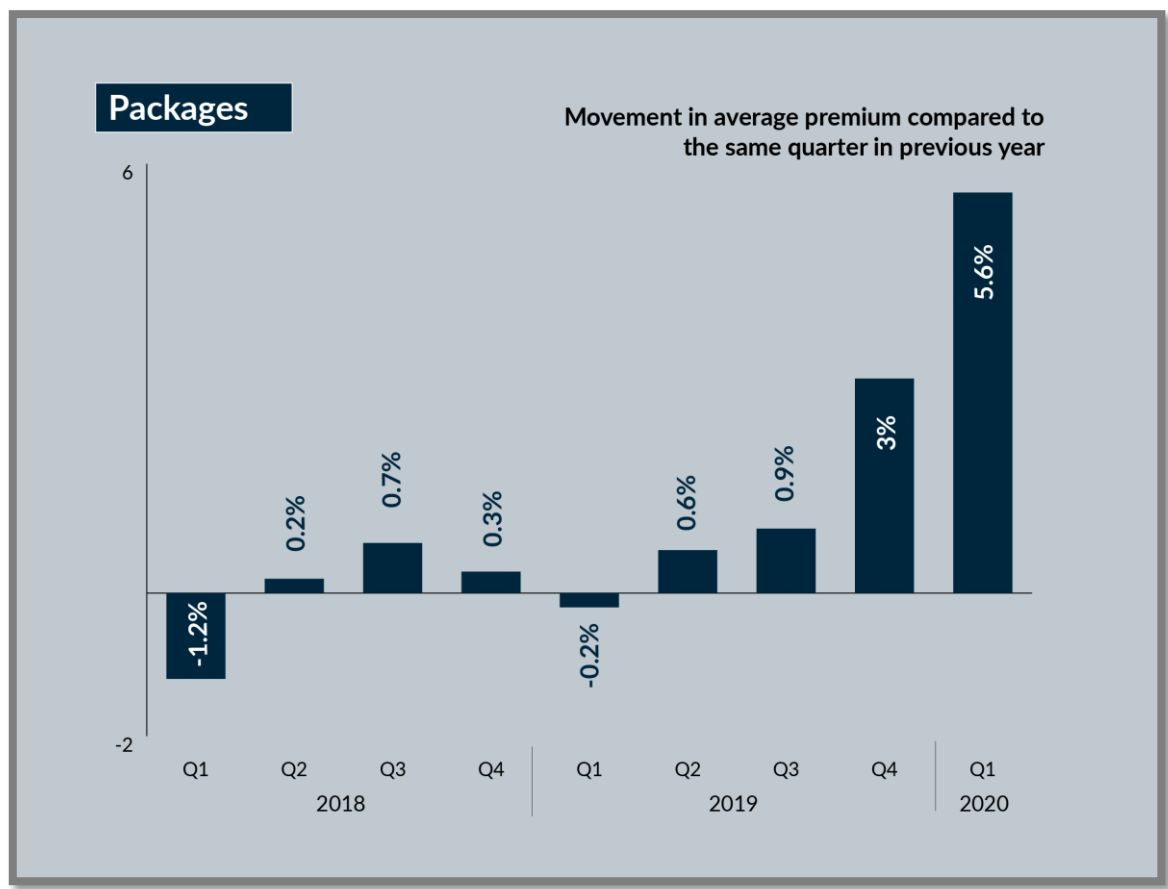
Q1 2020 has broken this trend, with a 1.8% increase in the index compared to Q1 2019. Recent years have seen a more gradual transition between times of positive and negative growth, whereas this is a much sharper transition, a possible **indication of further increases** to come in coming quarters.



PACKAGES

The Acturis Packages Index (12% weighting in the Acturis Commercial broking Index) stabilised in 2018 following three consecutive years of negative premium growth.

Minimal movement in premium was seen in this index until the final quarter of 2019, which grew 3% on Q4 2018. This has continued into Q1 2020, which has seen an even larger increase of 5.6% on Q1 2019.



COMBINED LIABILITY

The Acturis Combined Liability Index has seen now seen consistent increases in premium for the last eight quarters. Combined Liability premiums increased at a consistent, significant rate in 2019, with the final three quarters of the year all increasing around 8% on the equivalent quarter in 2018.

This shows no sign of slowing down, and in fact **growth accelerated** in the first quarter of 2020, where premium has increased 12% on Q1 2019.



METHOD OF CALCULATION

COMMERCIAL BROKING INDICES

Each data point represents average premium in all new business and renewal trades on the Acturis system taking effect in a particular class for 2010 onwards, with extreme values removed;

- Commercial Combined - £500 - £65,000
- Fleet - £500 - £60,000
- Property Owners - £125 - £60,000
- Packages & Tradesman - £50 - £4,000
- Combined Liability - £125 - £60,000

The Commercial Broking Index takes indexed figures from each of the below indices, and assigns each indexed figure the below weighting. This weighting figure represents the proportion of total GWP contained within these indices.

- Commercial Combined - 35%
- Fleet - 25%
- Property Owners - 18%
- Packages - 12%
- Combined Liability - 10%