The stats: Q3 2024 – Return to growth across the board

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Growth in average commercial lines premiums has picked up again in the third quarter of 2024, following a slow-down in the first half of the year, according to the latest Acturis Commercial Broking Index. Ida Axling reports.

Fleet and property owners have continued to be the most significant movers within the Acturis Commercial Broking Index, which represents the average premium in a typical commercial book of business, contributing to an overall premium rise of 4.5% compared to Q3 last year.

Looking at the individual lines of business and starting with the highest achiever, fleet grew by 8.3% year-on-year. This is a continuation of a trend that has seen fleet increase by around 8% in each quarter this year, compared with the same periods of time in 2023.

Commercial Broker Index

Source: Acturis

Share

Acturis said this is a “significant departure” from 2021 and 2022, when fleet premiums were stable.

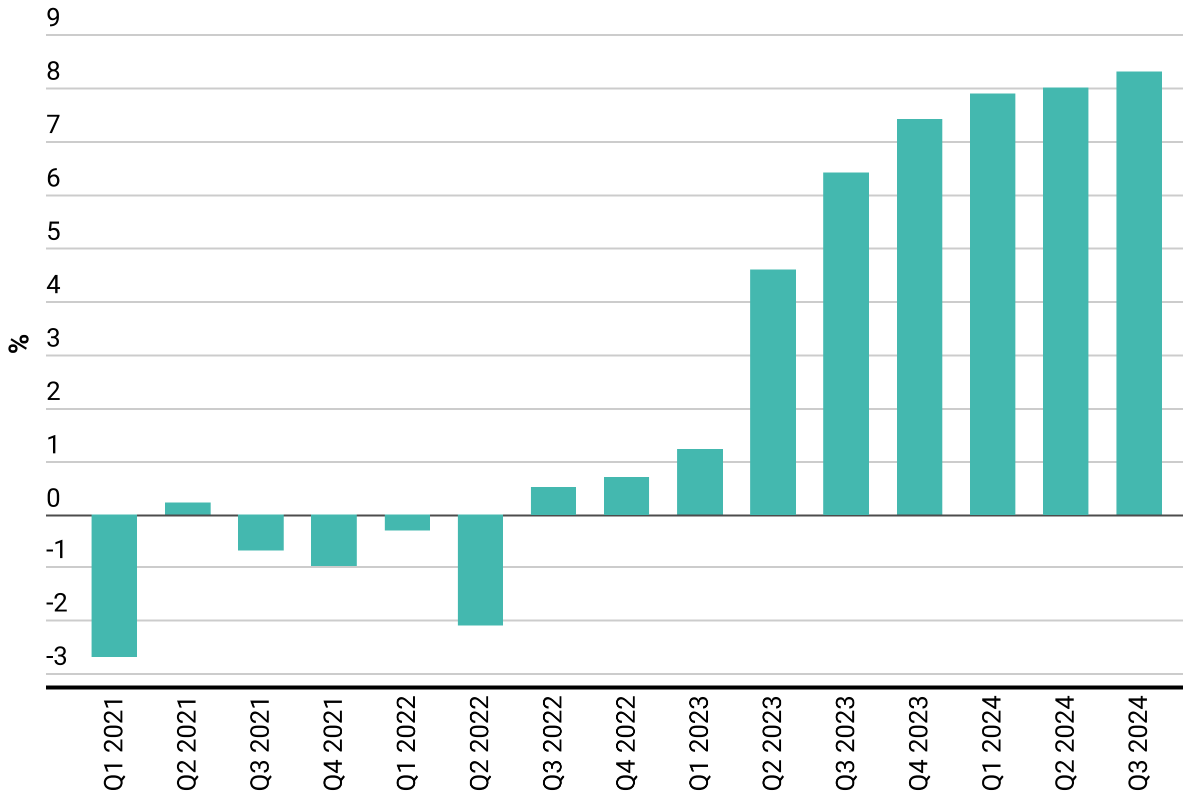
The level of movement is in line with what experts in the market are seeing, and they agreed the rise was largely down to high repair and claims costs. There has also been an increase in accident frequency post-pandemic.

Reduced fleet competition

Rob Fairs, product and channel director for SME commercial lines at RSA, said he was seeing some trends continue from previous years, adding: “There has been a pretty poor loss ratio experience for a number of insurers in fleet, and that has reduced competition in the space.

“There’s ongoing concern around claims, and we’re seeing the impacts of large injury claims. Fleet is a very uncertain space, so it doesn’t surprise me that this is where the highest increases are.”

Fleet



Source: Acturis

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Rob Marshall, divisional director for enterprise at James Hallam, highlighted the lack of capacity in fleet as another reason for premiums increasing.

He said: “It’s a typical supply and demand issue, because there’s less competition and less capacity, and that pushes up the prices. Not many MGAs write fleet risks, so if we can’t get a composite to take something on, we go through wholesale brokers.”

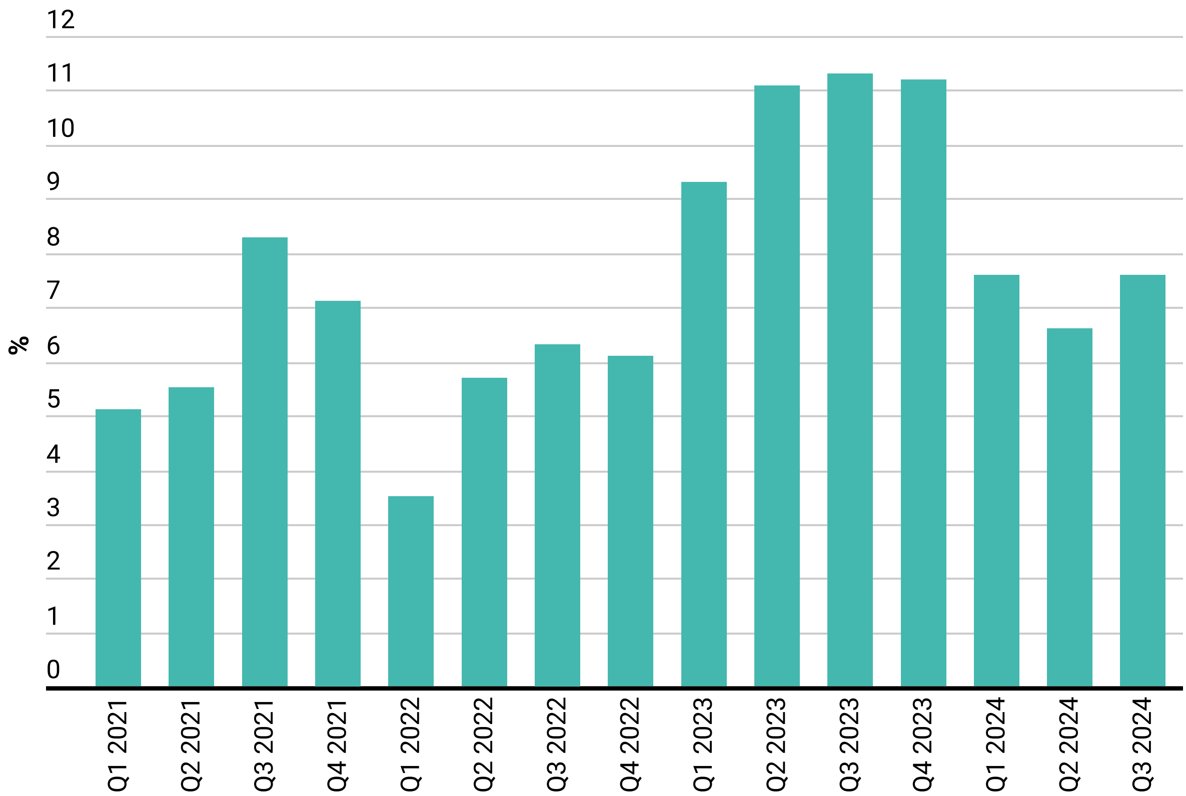
Property owners

Average premiums in property owners jumped by 7.6%. This class of business has continued to see significant increases since 2021, which Acturis said reflected its low profitability in recent years.

Peter Robinson, managing director of Prizm Solutions, said he was seeing premium increases particularly for smaller property owners. He added: “What we’re seeing is that some insurers who jumped into the market a few years ago at very, very competitive rates seem to have had their fingers burnt and are now pulling out, so it is going back to more normal market rates.”

“Property owners were so cheap for so long, and this is a correction that we’ve been expecting for the last decade or so,” he continued.

Property owners



Source: Acturis

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Experts further noted that, similarly to fleet, property owners had been impacted by rising repair costs, as well as higher prices for building material.

Marshall agreed that property owners products had traditionally been underpriced, and added that brokers had become better at utilising digital surveys to assess property values.

He said: “There’s an awareness that 80% of commercial properties are underinsured and that is being corrected now. I don’t think surveys are the only factor, but the fact that premiums are going up consistently is partly driven by surveys, as well as inflation in the supply chain as a result of geopolitical issues.”

According to Marshall, premiums are likely to plateau in the future as a result of brokers getting better at getting a true representation of a building’s declared value.

Tradesman surge

Tradesman also surged in Q3, and was up by 5.6% year-on-year.

Fairs noted that average written premiums in tradesman are very low, and that he was seeing behaviours from the personal lines market coming through to commercial lines, with some of the smaller businesses with lower premiums going direct.

He added: “That’s something that brokers continue to need to monitor. The role of the broker, and the advice they give remains critical. Customers need to mitigate their risk by having the best product for them, and you only really find out in the event that a claim is made, so actually having quality advice and not just focusing on price is the value that we see brokers continuing to offer in that market.”

Tradesman

Source: Acturis

Share

Lee Davey, CEO for the South at Partners&, highlighted that tradesman is mainly made up of property and liability covers and therefore tends to follow along the lines of how premiums are moving in those classes of business.

“If there is inflationary pressure around property or supply chain issues when it comes to tools and equipment, that can lead to some higher costs,” he said.

Davey continued: “Inflationary pressure is washing through the whole of those books, which seems counterintuitive when we’re well away from the peak of inflation of last year, but all of these things take time to filter through.”

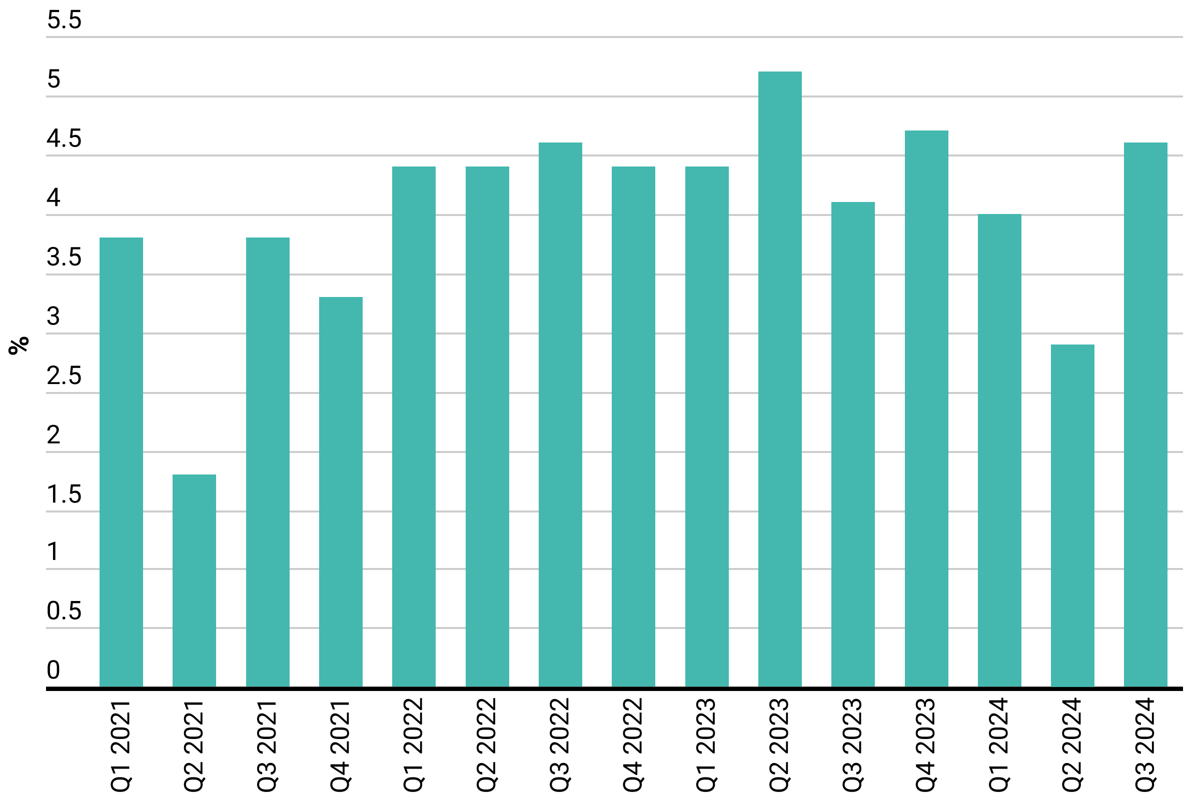
He expected tradesman premiums to start softening in the near future to reflect that inflation is no longer as high.

Rate revision

Describing tradesman as “pretty much a liability product for smaller contractors”, Robinson said: “That’s probably showing a higher increase than standard liability simply because there were a lot of providers who were very cheap when they entered the market, and they’re now having to revise their rates because they’re too competitive. What we’re seeing is market corrections.”

Packages has performed consistently in recent years, except for Q2 2024 when it saw a smaller rise than usual. Normal service resumed in Q3 when average premiums increased by 4.6%.

Packages



Source: Acturis

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Robinson said the market for packages is “pretty static”. He added: “Insurers in that sector seem to know what they are doing. There are no new entities coming in and massively suppressing prices.

Meanwhile, Davey argued that packages remained “very competitive”, and said: “The slight increase in packages would also be caused by some of that inflationary pressure. I sound like I’m working for Rachel Reeves [Chancellor of the Exchequer], but that’s the truth of life.”

Commercial combined

Commercial combined and combined liability, which both saw negative premium movements in Q2, were back to modest growth in Q3.

Commercial combined was up by 1.7%, its biggest movement so far this year, however this is still below equivalent increases experienced in Q3 2021 to 2023.

Commercial combined

Source: Acturis

Share

According to Marshall, there is “still a little bit of reluctance” when it comes to placing commercial combined via e-trade.

He continued: “There’s so many good quality MGAs that can make trading in commercial combined very easy. They’re often more likely to give you dedicated underwriting or more fluid service on smaller level premiums than a composite.

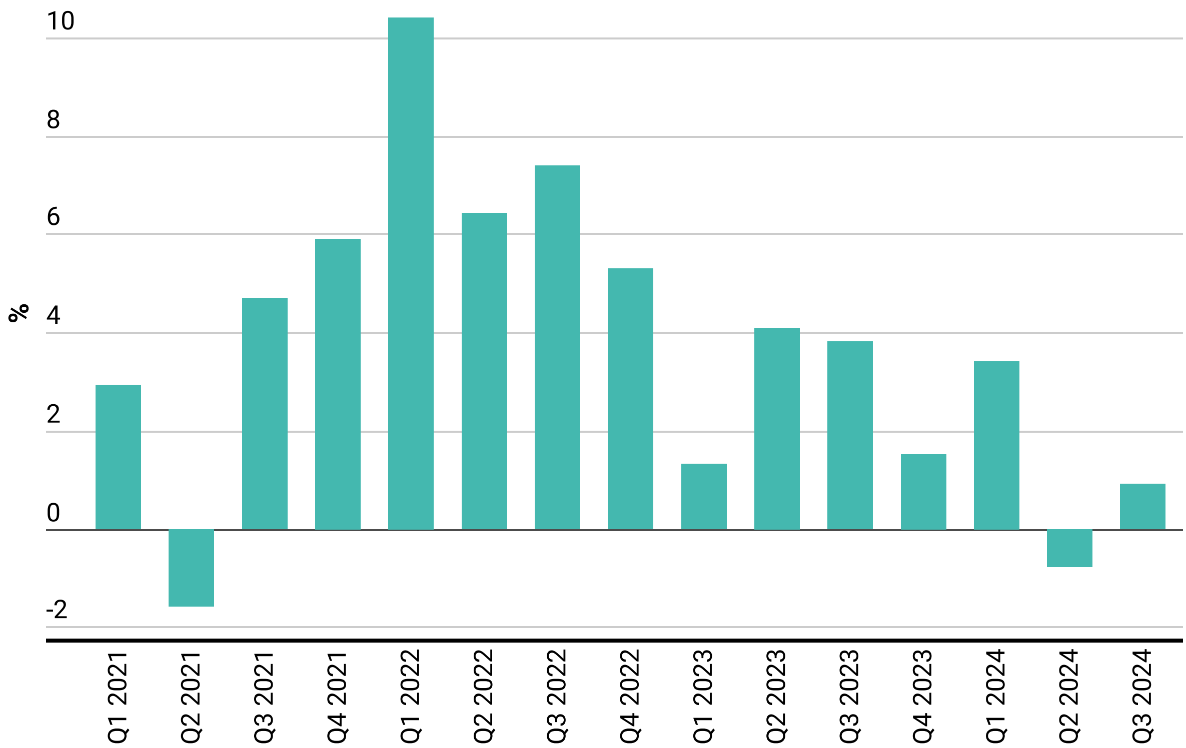
“I find that because there’s quite a lot of capacity in the market when it comes to commercial combined, the MGAs are being quite effective in taking market share off composites. That’s partly the reason why premium increases are small.”

Competing for business

Robinson agreed and added that commercial combined policies were a combination of various property and liability covers. He said: "Where property rates are going up, liability rates aren't as much, and we're seeing a lot more flexibility among insurers on commercial combined lines because they're actually still competing for business."

Combined liability is having a year of little movement and in Q3 premiums only grew by 0.9%.

Commercial liability



Source: Acturis

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Davey noted that he was surprised at this, but accepted that the market for combined liability was relatively stagnant.

"It does remain a little challenging, especially around some high risk industries, or anything with a significant US exposure," he said.

Looking ahead to Q4 and next year, experts agreed that the market is set for softening.

"What we're seeing across all lines of business is great for clients," said Davey.

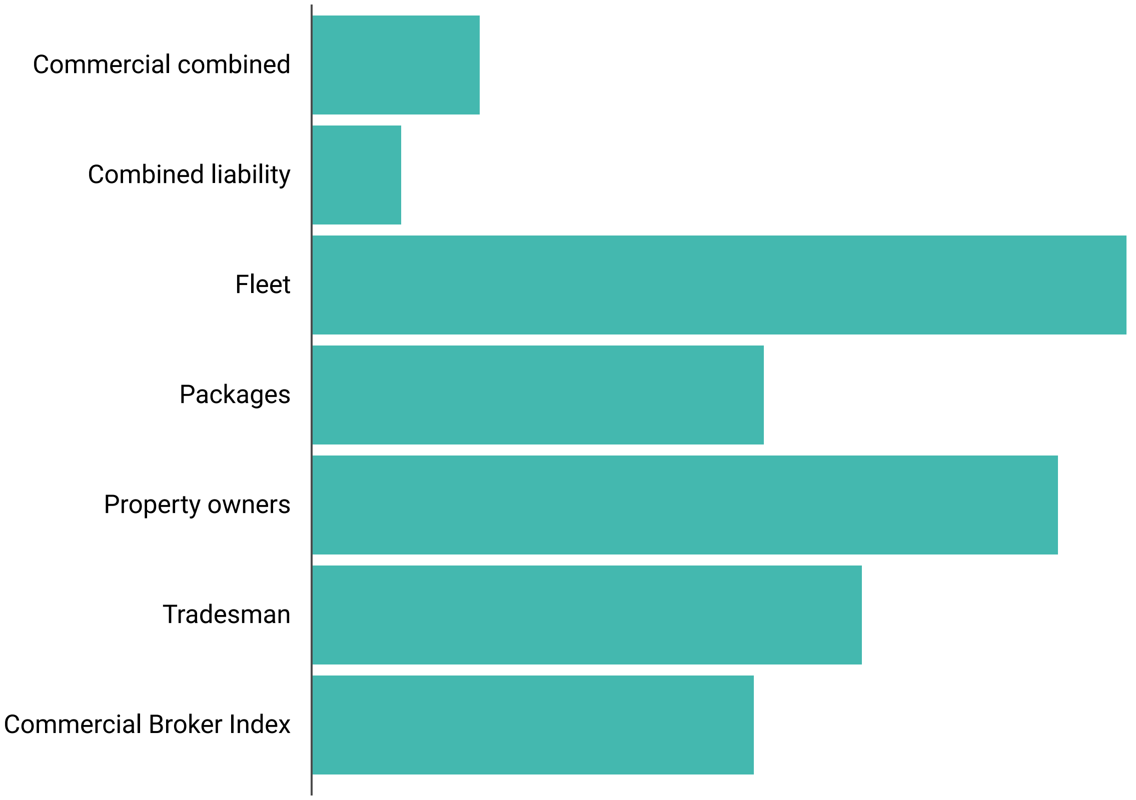
He continued: "Coverages are improving and insurer appetite is getting a little wider from what we would have seen at the peak of the hard market, so where they might have taken a few lines on something or a percentage of a risk previously, they're more inclined to take 100% of the risk and improve some of the covers that are being provided for clients, which is fabulous news."

Softer rates

Davey noted though, that while he is seeing the market turning towards softer rates, what happens to premiums in the near future will depend on a number of factors, including the geopolitical situation, which remains a risk for insurers, as well as the climate.

Fairs also expected the market to soften, and predicted to see ongoing growth in the digital space driven by market demand and broker consolidation.

Acturis Indices: Year-on-year comparatives by quarter (% growth in average premium)



Source: Acturis

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He added: “We expect to see e-trade continuing to challenge, going up the food chain, and really starting to write bigger and more complicated risks. E-trade has the advantage of offering a much more seamless journey where it’s appropriate, but it’s actually also underpinned by high quality expertise and underwriters.”

Marshall agreed premium growth is set to slow down. He concluded: “The big question is around the economic factors at play. With the National Living Wage and National Insurance costs going up for SMEs, it might be that more clients will start shopping around and that prices go down.”

Explaining the figures

The Acturis commercial broking index consists of quarterly figures calculated on a base line of the first quarter of 2010. It has been designed to represent premium movements in a typical broker's book of commercial business.

This index uses weighted figures from commercial combined (35%), fleet (25%), property owners (18%), packages (12%) and combined liability (10%) indexes based on the portion of GWP each class of business represents in a typical commercial book.

The further indexes in the Acturis Premium Index covered in the text show year-on-year comparisons measured across £16bn of premium.

The movements in premium can be driven by changes in the size of the risk and the level of the insurance rate.

By comparing each quarter with the same period the year before, it is most likely to set the pricing of similar risks against each other.

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