



Back on track?



Commercial combined and packages got off to a sluggish start, although motor was steady. But at least property owners managed an early sprint in this year's first-quarter premiums

2010 HAS STARTED on a mixed note, with average premiums down in all classes compared with the full year 2009. According to Acturis co-chief executive Theo Duchon: "While 2010 has not started particularly well, hopefully average premiums will increase over the course of the year as the economy improves and insurers focus on pushing through the much-needed rate increases in commercial lines that we keep hearing about."

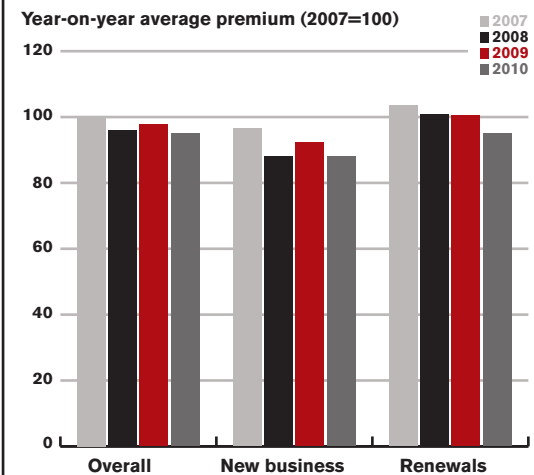
HOW THE FIGURES WERE CALCULATED

All renewal and new business trades on the Acturis system in a particular class for 2007, 2008, 2009 and 2010, 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

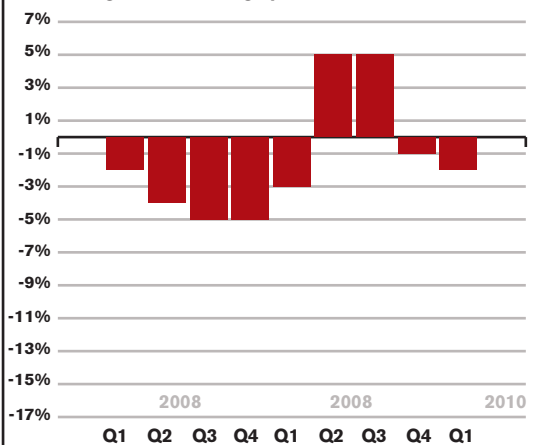
Property owners includes commercial, residential and mixed business.

Commercial combined ALL DATA: ACTURIS



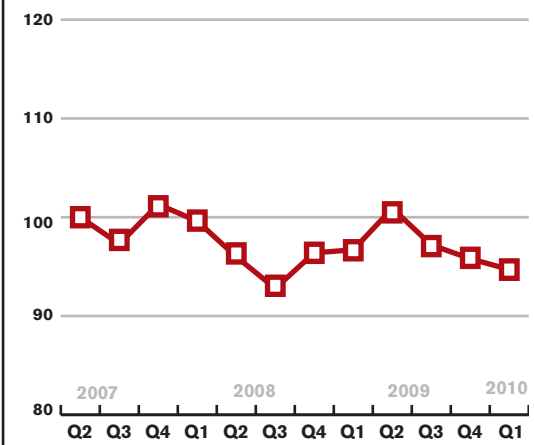
This was a poor start, with the year-on-year average premium index level of 95 for Q1 2010 lower than the average of 97 for all of 2009. This is reflected too in the new business index, which has fallen from 92 in 2009 to 88, and the renewal index, which is below figures for 2007, 2008 and 2009.

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



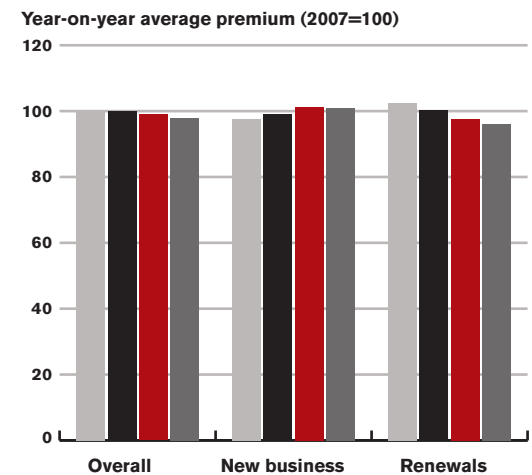
A similar trend can be seen in the year-on-year comparatives by quarter data (that is, Q1 2010 compared with Q1 2009), where percentage growth in average premium fell by 2% compared with 2009 after a period of stability.

Indexed average premium (Q2 2007=100)



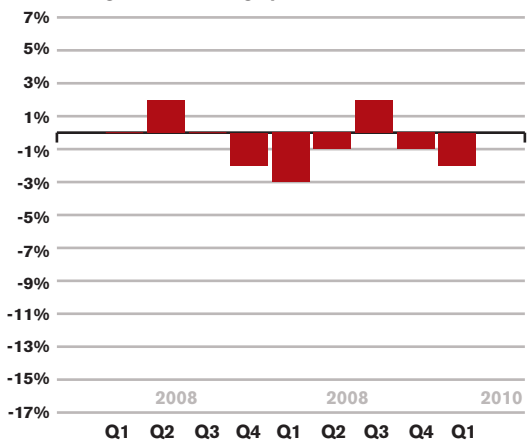
Looking at the indexed average premium by quarter, we can see that the gradient of the prolonged decrease in indexed average premium from quarter to quarter seems to be flattening out, giving some cause for optimism that average premiums will stabilise.

Motor fleet



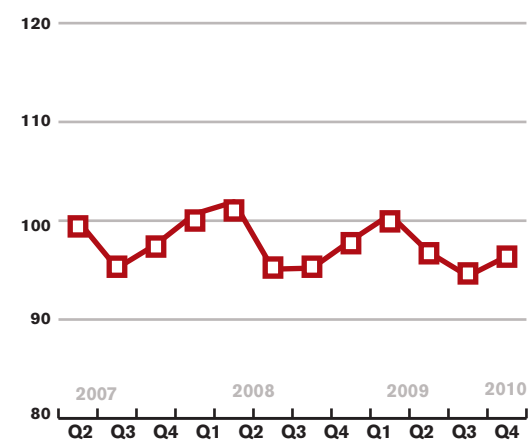
There have been only small fluctuations in the overall average premium since 2007, with the Q1 2010 value 98% of the 2007 value. New business average premiums are above 2008 and broadly in line with 2009, although renewal average premiums have reduced slightly.

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



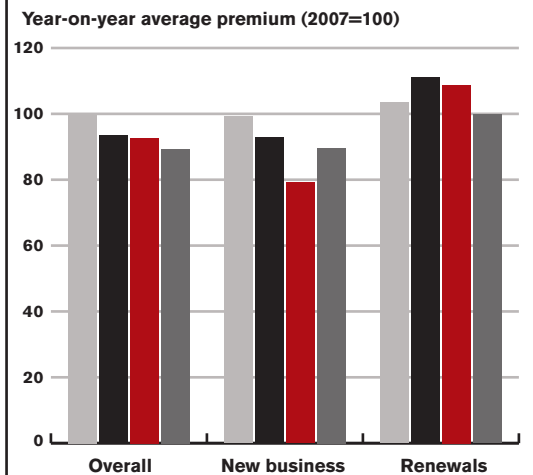
Similarly to trends described in commercial combined data, left, when comparing year-on-year by quarter data with the corresponding quarter in the previous year, basic average premiums have fallen in Q1 2010 by some 2%.

Indexed average premium (Q2 2007=100)



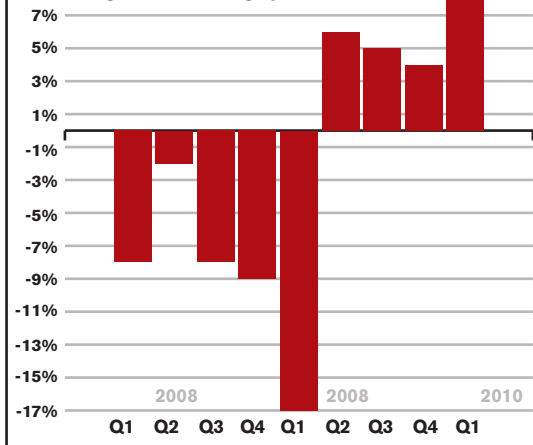
Encouragingly, as with data from previous years, indexed average premiums have increased in the first quarter this year relative to the last quarter of 2009. If trends from previous years are to be followed, this increase can be expected to continue strongly into Q2.

Property owners



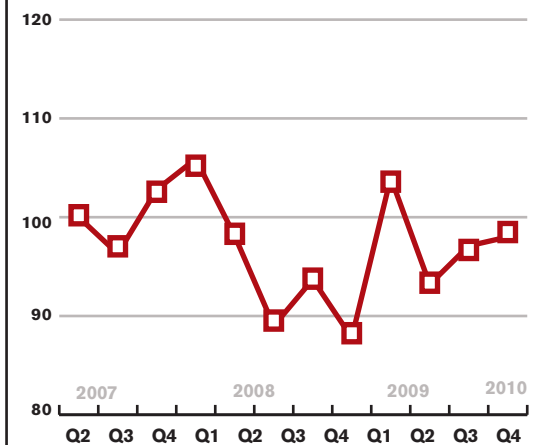
This class of business perhaps offers a more promising picture. Average premiums have fallen slightly compared with 2009 (93% to 89%, although only Q1 information is available for 2010), driven by lower renewals. New business has grown compared with last year.

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



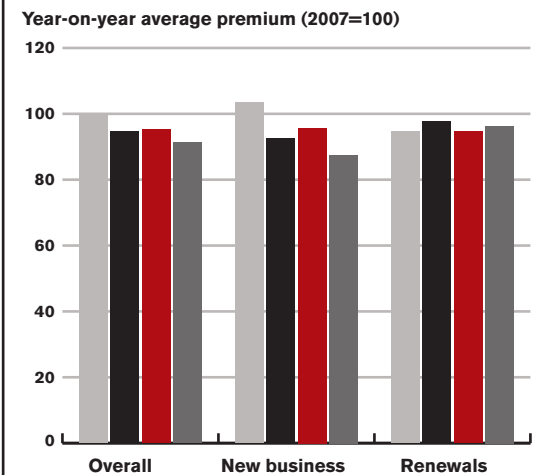
One encouraging sign is the continued growth in year-on-year comparatives by quarter. There has been at least 4% growth in the last four quarters when compared with 2009. The 12% for Q1 2010 is high because Q1 2009 was particularly bad for property owners' average premiums, with successive increases thereafter as demonstrated in the indexed average premium analysis below.

Indexed average premium (Q2 2007=100)



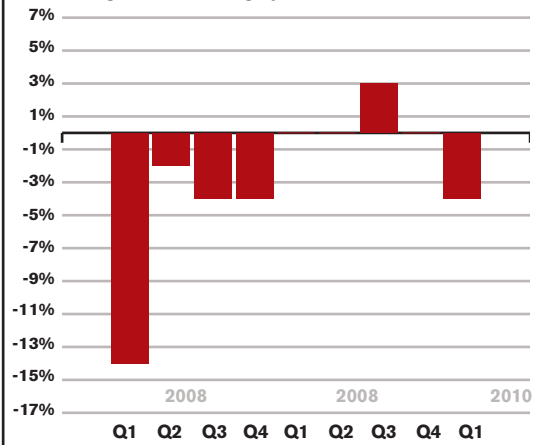
Looking at the indexed average premium by quarter, we see a stable and growing position, which should be positive for the balance of the year.

Packages



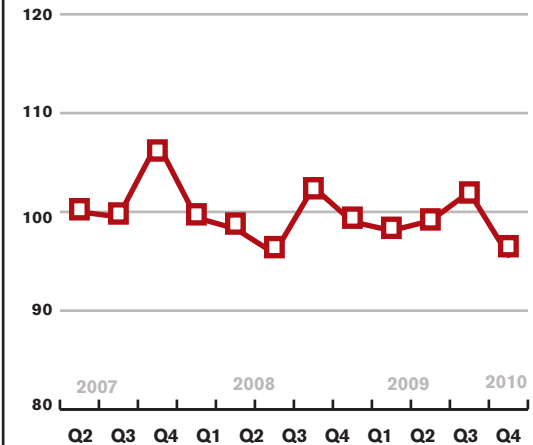
As per other classes, the year-on-year indexed average premium has not started well for packages. The overall index is down compared with 2009; this seems principally driven by lower new business average premiums, with slightly higher renewal values compared with 2009.

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



Moreover, average premiums are 4% down in Q1 2010 when compared with the equivalent quarter in 2009, the biggest such reduction since the fourth quarter of 2008.

Indexed average premium (Q2 2007=100)



Looking at the indexed average premium by quarter, we see that indexed average premiums have fallen sharply by 6.4% between the fourth quarter of 2009 and the first quarter of 2010. However, this is not completely unexpected, as previous years' data have shown similar falls between these quarters. **IT**