

National Report 2010

Denmark

A. Premium Development

Premiums rose in total from DKK 765,010,726 in 2009 to DKK 840,463,261 in 2010 (+9.9 pct.). In view of the general economic recession this development is satisfying. Inflation was 2.3 pct. in 2010.

For Machinery Breakdown and EAR/CAR, which are the two main business areas, premiums increased by 12.9 and 7.1 pct. respectively. Loss of Profit premiums rose by 38.4 pct. However, Loss of Profit is an area with relatively large fluctuations in total premiums from year to year.

Electronic Equipment was the only business area which experienced a decrease in premiums in 2010 (-2.4 pct.).

Gross written premiums in DKK			
	2008	2009	2010
Machinery Breakdown	398,753,959	435,884,963	492,185,777
Loss of Profit	4,488,348	4,216,187	5,836,775
EAR+CAR	267,891,038	266,593,548	285,526,178
Electronic Equipment	64,838,298	58,316,028	56,914,531
Total	735,971,643	765,010,726	840,463,261

B. Claims Development

Claims in total increased by 11.4 pct. from DKK 474,174,683 in 2009 to DKK 528,327,444 in 2010. The total number reflects very large differences between business areas.

Machinery Breakdown and Electronic Equipment claims decreased by around 2-3 pct. respectively while there was a large increase in EAR/CAR claims (45.3 pct.).

Loss of Profit claims were many times higher in 2010 than in 2009. However, this business area is so small that relatively few single damages may account for large variations from year to year.

Claims paid and reserved in DKK			
	2008	2009	2010
Machinery Breakdown	328,254,875	314,352,110	304,398,442
Loss of Profit	1,100,843	154,290	2,565,775
EAR+CAR	170,430,072	137,302,178	199,519,704
Electronic Equipment	21,947,502	22,366,105	21,843,523
Total	521,733,292	474,174,683	528,327,444

There were no Large Claims (> US\$ 1,000,000) in the Danish market in 2010.

C. Underwriting Profitability

The total loss ratio was 63 % in 2010 reflecting a slight increase from 62 % in 2009 but underwriting profitability was still markedly better than in 2008 where the total loss ratio was 72 %.

Thus the market situation is good. Still, competition is strong with more players entering the market. Thus the market is soft.

Loss Ratio (p.c.)			
	2008	2009	2010
Machinery Breakdown	82	72	62
Loss of Profit	25	4	44
EAR+CAR	64	52	70
Electronic Equipment	34	38	38
Total	71	62	63

D. Other trends

- In the field of product development there are two opposite trends at the moment: Many insurers combine a number of coverages in one product (all risk). Thus there is a trend towards more broad all risk products (machinery and property insurance together). At the same time, however, reinsurers in some cases force direct insurers to separate coverages.
- There is also a trend towards a broader coverage in CAR/EAR. Basic coverage increasingly includes ALOP, DSU, DE and LEG.
- There seems to be a demand in the market for professional indemnity insurance although not many insurers offer this type of insurance at the moment.
- As mentioned above, a number of large insurance companies have established themselves in Denmark in recent years (for instance Zurich and Allianz).
- In 2008, inherent defect insurance was made mandatory by law for new residential buildings. The mandatory insurance covers major inherent defects for a period of 10 years after delivery of the building. The insurance covers only when the business contractor cannot be held liable, for example when the business contractor is bankrupt. The number of insurers offering this type of insurance has so far been limited.

E. Business Outlook

We expect a continuous strong competition in the future. Insurance companies wish to expand in the engineering market also.

General Economic Outlook – Denmark

The Danish economy is currently in a moderate recovery, supported by high growth in key export markets, low interest rates and growth in real disposable incomes. GDP expanded by 2.1 per cent in real terms in 2010. Growth appears to have continued at the same pace, and in 2011 GDP is expected to grow by 1.9 per cent, and 1.7 per cent in 2012.

Residential investments are projected to grow by 2-3 per cent in both 2011 and 2012. The residential investments reached a historical high level of just over 6½ per cent of GDP in 2006. The current level of residential investments corresponds to the level in the mid-1990s. This reflects a high level of repairs and improvement of houses, while the level of new constructions is low.

Fixed business investments are projected to grow by around 6 per cent in both 2011 and 2012, due to the rise in production in the private business sector, low interest rates and a historically low investment ratio in 2010.

After a significant growth of 12 per cent in 2009-10 as part of the growth supporting measures, public investments are expected to grow by 7 per cent in 2011.

Source: The Danish Ministry of Finance (30 May 2011)