

Country Analysis Report -2007

| Country | Premium Development | Claims Development | Underwriting Profitability | Business Outlook |
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| <p>United Kingdom</p> <p>2007</p> | <p>Gross Written Premiums reported by BMIA members rose by 7.4% in 2007, despite soft market conditions influencing many lines of business. BMIA members represent approximately 55% of the domestic engineering insurance market.</p> <p>While CAR revenue fell, reported premium for Electronic Equipment grew by 65%. The traditional MD/BI engineering classes continue to struggle from a revenue perspective due to the softer market conditions and decline of the UK manufacturing sector.</p> <p>Modest growth for EAR revenue continued in 2007 with some growth arising from government sponsored initiatives in renewable energy sources.</p> <p>After a buoyant 2006, CAR business pulled back. Computer and Electronic revenues for reporting members grew strongly in 2007. Broker consolidation of this business into special scheme arrangements has made the premium figures for this line more visible.</p> | <p>2007 saw a small decrease in reported claims overall, although the results of individual business segments were varied.</p> <p>CAR/EAR claims accounted for over 58% of the total.</p> <p>The number of claims in the UK engineering market exceeding \$1m, as reported by BMIA members in 2007 was 25. Although less than the 34 reported in 2006, there is one less reporting member. It is expected that on an equivalent basis, the number of large losses was relatively flat. Unlike 2006, where all but two arose from CAR/EAR, there is a significant representation of MB and LP losses, including 5 of the 6 largest events.</p> | <p>The total Engineering Insurance account loss ratio was 31% in 2007 which is slightly lower than the past two years.</p> <p>Traditional MD/LP experience as reported is acceptable; however there is a discrepancy between the large losses reported and the claims attributable to this line. The discrepancy likely arises from the Power segment which may be handled separately from the core MB business in some companies. CAR experience deteriorated in 2007 by nearly 10% as a combination of lower rates and a return to normal large loss frequency impacted the loss ratio. EAR business benefited from a reduction in loss ratio, with only a single EAR Large Claims event. Computer and electronic business, while still profitable, showed a sharply lower loss ratio, despite the impact of losses from the summer floods in this experience.</p> | <p>The rate reductions seen in 2007 will impact earned premiums in 2008. Margins will be under pressure as a result, although final results will be driven by the size and frequency of large losses.</p> <p>The first half of 2008 has seen continued competitive pressures resulting in further, albeit slowing, rate reductions. In addition, the credit crisis has blunted the availability of credit. It is anticipated that this will have an increasing negative impact on general business activity. Recent news from the construction industry has revealed a severe slowdown and large scale redundancies. It is clear that 2008 and perhaps 2009 will be adversely affected by reduced construction activity as existing projects finish and new projects are deferred.</p> |