

# IMIA 2011 Country Analysis United Kingdom

*NOTE. SOME PREMIUM CHANGE FIGURES MAY REFLECT CHANGING MARKET SHARE BETWEEN MEMBERS AND NON-MEMBERS RATHER THAN OVERALL MARKET CHANGES.*

## **Premium Development**

Gross Written Premiums reported by BMIA members fell significantly from 2010 to 2011 the total 2011 GWP being 74% of the 2010. Significant change was limited to Electronic Equipment & Computer with all other lines being stable in terms of GWP the change in the figures reflect a change in coding by one or more members of this portfolio as there are no significant market reasons which would suggest such a significant variation.

BMIA members represent approximately 55% of the domestic engineering insurance market.

The traditional MD/BI engineering classes showed a 7.5% increase in GWP, but are still 26% below the 2008 reported figure. There is no evidence of general rate increases between 2010 and 2011 so GWP growth possible reflects more insureds buying MB cover.

EAR remained flat against 2010 and CAR moved downward slightly against 2010, however 2010 CAR and EAR numbers increased from those stated in last year's report possibly because of the impact of turnovers gradually increasing after the impact of the financial crash of 2008.

Electronic Equipment and Computer revenues for reporting members reduced by over 80% from 2010 to 2011 and as already noted in the opening paragraph this is because of a re-designation of premium from Engineering to another area and no significant market movement otherwise is noted.

IDI / Decennial Insurance also showed a reduction in GWP to around 50% of the 2009 income level. IDI is not broadly purchased in the UK and outside a limited number of arrangements for house-builders is mainly sought for large commercial building developments the premium written is small and the reduction possibly reflects the reduction in the number of new commercial building projects since 2008.

Others (mostly Contractor's Plant) has little movement in GWP

## **Claims Development**

In general loss ratios from 2010 to 2011 have improved other than in Electronic Equipment and Computers; however the impact of the significant premium movement means that it is not possible to draw any conclusions from this

The number of claims in the UK engineering market exceeding \$1m, as reported by BMIA members in 2011 was 11. This was a significant reduction on the 25 reported in 2010. Previous years were (2009 – 13, 2008 – 25).

The largest loss was CAR with 5 CAR losses, 4 Machinery Breakdown, 1 EAR and 1 Contractors Plant.

## Underwriting Profitability

The total Engineering Insurance account loss ratio in 2011 was 33.8% slightly down from the 33.3% reported for 2010, however this is significantly affected by the large reduction in reported Electronic Equipment and Computer GWP which had the lowest loss ratio in 2010.

Loss Ratio - total account (%):	33.8%
Estimated Breakeven Point for Loss Ratio (%):	65%
Estimated Market Share covered by the above figures (%):	55%

MB/LOP experience, had a much improved year following two years of loss ratios well in excess of 100%. The volatility of this class reflects the limited number of customers who purchase the cover and figures for this segment are less reliable as there is both exposure and premium embedded in all risk property policies. The loss ratios are 33.4% for MB and 23.4% for Loss of Profits respectively.

CAR experience improved to 33.9% in 2011, but comparison with last year's report shows a deterioration of 2010 loss ratio from 38.2% to 54.9% so negative development is likely but will likely remain within the break-even range.

EAR business showed a 7.9% decrease in loss ratio to 29.2% but this class is also prone to negative development although this not significant in the 2010 numbers which showed a movement from 36.1% to 41.8% over the last 12 months.

Electronic Equipment and Computer loss ratio deteriorated from 13.6% to 21.2% but because of the 80% reduction in reported GWP little inference can be gained from this.

No losses were reported by members on the IDI / Decennial class.

Others, being principally Plant business, reported a loss ratio of 61.4% which is marginal for the industry in terms of profitability. Theft remains a significant concern in the plant class and the deterioration in Loss Ratio despite positive anti-theft measures possibly reflects increased theft activity related to the economic condition and rate reductions in the market.

## Business Outlook

In 2012 the UK market remains competitive for Engineering business against flat or slightly negative economic growth. The construction segment has been the most significantly affected by factors including the continuing constraints on lending for real estate projects, reductions in public spending and uncertainty in the Eurozone. Turnovers of construction companies remain suppressed well below pre 2008 levels but activity levels in the construction industry remain supported by major infrastructure investment such as the now completed Olympic Park, CrossRail and other transport projects.

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