

Country Analysis Report 2012 – United Kingdom

Country	Premium Development	Claims Development	Underwriting Profitability	Business Outlook
<p>United Kingdom</p>	<p>Overall premium income reported by BMIA members was down 9.1% in 2012 from 2011. 2011 had seen a significant premium income reduction in the electronics line as a significant programme was re-classified out of the Engineering division of one member into the Consumer division.</p> <p>The key product lines with significant premium movement worth comment are as follows:</p> <p>CAR: the CAR line shows a significant reduction (-11.8%) from 2011, this is a combination of the reduced activity in the construction industry in the UK and a continuation of the soft market conditions reducing premium rates. In addition premium volume could have been lost to the Lloyd's and other markets expanding in this area.</p> <p>Electronic: this line shows a reduction of -22.7% from 2011. This is likely to be due to a combination of reducing rates and the continuation of traditional electronic policies to be replaced by extensions on Property package policies.</p> <p>*Note: Other lines than MB,LOP,CAR/EAR, EEI and IDI are showing an increase of 88.9%, however the premium declared in 2011 may have included IDI premium. Most IDI premium in the UK is written primarily in the Property departments.</p> <p>BMIA members represent approximately 50-55% of the domestic engineering insurance market.</p>	<p>In general loss amounts reported in 2010 and 2011 did not suffer any adverse development and no significant movements from last year.</p> <p>Loss Ratio was overall only 34%.</p>	<p>The total Engineering Insurance account loss ratio in 2012 was 33.9% which is the same as 2011 was at the reporting date for last year. 2011 moved slightly to 34.2% in the intervening 12 months.</p> <p>Loss ratios in 2012 for each product line remained within acceptable ranges other than Loss of Profits where a 260% loss ratio occurred; this is a factor of this line of business where market penetration is low and heavy industrial and food companies are the main purchasers of Machinery Breakdown Loss of Profits.</p> <p>The CAR line has had a reduced loss ratio and some of this is because of a lower severity level in high profile losses and only one notable loss from public media was noted in Jan 2012 – City Gates Christian Centre £6.1M project, steel frame collapse and subsequent fire.</p> <p>2012 Continued to see a high incidence of fires at waste and recycling sites, this trend has increased in 2013 and BMIA will undertake a review of the impact of the growth of this industry and the poor fire record in 2013.</p>	<p>In 2013 the UK economy shows encouraging signs of strong growth, the construction industry has a mixed outlook as property prices and demand remain strong in London and the South East but remain flat in other regions. Government spending on capital projects has been reduced and this has had an impact as the largest source of business for the construction industry,</p> <p>Major infrastructure projects are still underway in the UK.</p> <p>Insurance pricing remained very competitive in 2012 and the low loss activity has produced no pressure to increase by the industry; the first half of 2013 has shown an increase in high profile losses and this may lead to a deterioration of results in the UK for this year. No capacity has gone from the UK domestic market that has not been replaced, there is still an oversupply of capacity and pricing remains depressed.</p> <p>2013 brings a new regulatory framework to the UK Insurance Industry with the splitting of the Financial Services Authority into two separate regulators; the Financial Conduct Authority and the Prudential Regulation Authority. The impact of these changes will become clearer for the industry as the year progresses.</p>