

SWEDEN

NATIONAL REPORT – Engineering Insurance 2016

A) Premium Development

The premium income in all engineering lines decreased by 16 per cent compared with the previous year. The MB&BE+LoP premiums decreased, by 10 per cent while the premiums for EAR&CAR+ALoP decreased dramatically by 20 per cent.

A large portion of the major recovery of the overall premium for 2014 was lost in 2015 and 2016. The reason most likely is related to the investments of some major infrastructure projects that started in 2014 for which project specific insurances were placed.

Comments:

- The competition in the Swedish market has been very hard for many years now and there are still no signs of changes even though that some actors on the market have lately become somewhat more restrictive to write some business.
- The tendency of not only low rates but also widening policy wordings is still ongoing.
- Even though Sweden still is a 100% quote market some large investments have recently been placed with co-insurance project insurance solutions which gives an opening for smaller insurers and new insurers to enter the engineering market.

B) Claims Development

Comments:

- 2016 was a very good year with few large losses reported. The number of attritional claims continued however to increase.
- The trend that CAR/EAR + ALOP loss ratio result deteriorate was broken in 2016. MB & BE + LOP claims result continues to improve.
- Aging of the machinery and inadequate maintenance is frequently involved in MB & BE losses.

C) Underwriting profitability

Engineering business as such has during many years been profitable but we have now for the last 4-5 years noted that the profit is slowly reducing even though the result improved dramatically during 2016

- The high claims frequency for wind turbines has continued.

- Few major losses exceeding 1MUS\$ was reported in 2016.
- Inadequate maintenance and postponing of critical replacement investments are still often involved in losses.

The fierce competition leading to reduced rates and wider wordings is most likely the reason for the continuing eroding figures even though the result improved in 2016.

D) Business Outlook

Some new, major investments in pulp and paper industry are under construction.

Continuing investments in new Energy from Waste (EfW) plants for district heating and power production are seen across Sweden in various sizes.

New investments are published and already under progress in residential construction, healthcare and infrastructure.

The two major infrastructure projects in Sweden are Förbifart Stockholm (Stockholm Bypass – Road tunnel project in Stockholm - Ongoing) and Västlänken (Railtunnel project beneath Gothenburg city center – starts in 2018).

These have produced a welcome insurance potential for the declining engineering insurance. However, uncertain and cautious economic atmosphere continues.