

SWEDEN

NATIONAL REPORT – Engineering Insurance 2018

A) Premium Development

The Swedish construction cost index change between 2017 and 2018 was approx. 3,3% which compared to the two years before was a bit higher.

During 2018 a major increase of premiums can be seen. The reason for this can be found in some larger infrastructure projects and a lot of development projects for housing started.

Last year we could not deliver any figures from Sweden due to that some insurers with reference to competition laws no longer were willing to provide such numbers. This year we have, by help of Svensk Försäkring (Insurance Sweden – the industry organization for insurance companies in Sweden), gathered statistics from almost all of the major insurers in Sweden.

Currency: SEK

Type of Insurance	Gross Premium written (booked) MSEK				
	2016	2017	Changes 16/17	2018	Changes 17/18
MB / BE + LoP	251 513 622	265 192 648	+ 5%	324 920 720	+ 23%
EAR + ALoP	5 270 291	6 490 055	+ 23%	6 907 479	+ 6 %
CAR + ALoP	400 096 030	417 036 985	+ 4%	479 662 942	+ 15%
TOTAL	656 879 943	688 719 688	+5%	811 491 141	+18%

Overall comments

- The competition in the Swedish market has been very hard for many years now but during 2018 there were seen some signals that we might go into a period of small increase of premiums and we could also see that some actors became somewhat more restrictive to write engineering business.
- The tendency of widening policy wordings is still ongoing. Mostly driven by brokers.
- 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

Currency: SEK

Type of Insurance	Claims (paid & reserved)				
	2016	2017	Changes 16/17	2018	Changes 17/18
MB / BE + LoP	119 534 827	165 544 793	+ 38%	280 289 477	+ 69%
EAR + ALoP	1 555 777	110 392	- 93%	9 977 524	+ 90%
CAR + ALoP	257 539 791	296 370 838	+ 15%	308 269 341	+ 4%
TOTAL	378 630 395	462 026 023	+ 22%	598 536 342	+ 29%

Overall comments to 2018 claims year:

- 2018 has continued as a very good year with few large losses known to the market. The number of attritional claims continued however to increase.
- The trend that CAR/EAR + ALOP loss ratio result deteriorate was broken in 2016 and continued thru 2017 but stabilized in 2018. MB & BE + LOP claims result had a very bad result 2018.
- Aging of the machinery and inadequate maintenance is still frequently involved in MB & BE losses.
- EAR + ALOP had a very good claims year 2017 but a very bad result 2018. Note that not all Swedish insurers split premiums and claims between EAR and CAR.

C) Underwriting profitability

Engineering business as such has during many years been profitable but we have now for the last 5+ years noted that the profit is slowly reducing.

- Few major losses exceeding 1MUS\$ was reported in 2018.
- 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 still most likely the reason for the continuing eroding figures.

D) Business Outlook

Downturn in housing market and lower level of residential construction due to stricter amortisation requirements aimed at households.

In September 2018 Sweden had an election to government. The result gave a bit turmoil and resulted into the fact that Sweden didn't have a new government in place until end of January 2019. This had a negative impact on Swedish investments.

Weaker SEK to increase inflation. Limited long term effect as SEK appreciates

Continuing investments in Renewable Energies

Infrastructure projects expected to continue, but a bit smaller level after the mega projects Västlänken (The West Link project) and Förbifart Stockholm (The Stockholm By-pass project) that's under construction. In Stockholm the extension of the Metro-line network starts in 2019.

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

Some major investments in pulp and paper industry are under construction or recently finalized

Uncertain and cautious economic atmosphere continues.

BKK – The Swedish Construction Contracts Committee has announced the release of an updated version of ABT04 – General Conditions of Contract for Building and Civil Engineering Works and Building Services. The new contract AB19 is said to be launched in late 2019 or early 2020. Only minor changes to insurance demands are announced but 5 years extended maintenance are likely to be standard.

Stockholm, July 11, 2019

Håkan Hedin
Gar-Bo Försäkring AB

Henrik Johnsson
If P & C Insurance