

SWEDEN

NATIONAL REPORT – Engineering Insurance 2019

A) Premium Development

The Swedish construction cost index change between 2018 and 2019 was approx. -2.4% which is a clear cut from previous year (+3.3%) .

During 2019 the increase of construction and engineering premiums can be seen. The reason for this is the continuous investments in development projects for housing and large infrastructure project investments.

Also this year we have had help from Svensk Försäkring (Insurance Sweden – the industry organization for insurance companies in Sweden) to gather and compile statistics from almost all of the major insurers in Sweden. This is to secure that all information is kept anonymous.

Currency: SEK

Type of Insurance	Gross Premium written (booked) MSEK				
	2017	2018	Changes 17/18	2019	Changes 18/19
MB / BE + LoP	277 442 648	338 665 453	+22%	330 683 034	-2,5%
EAR + ALoP	6 490 055	6 907 479	+6%	14 675 306	+212%
CAR + ALoP	422 813 457	500 818 384	+12%	662 377 513	+13%
TOTAL	706 746 160	846 391 316	+5%	1 007 735 853	+18%

Overall comments

- The competition in the Swedish market has been very hard for many years now but during 2019 there were a 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. But we could also see that brokers accepted exceptions to a greater extent.
- 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.
- Note that not all Swedish insurers split premiums and claims between EAR and CAR and this might affect premium and claims split over different years.

B) Claims Development

Currency: SEK

Type of Insurance	Claims (paid & reserved)				
	2017	2018	Changes 17/18	2019	Changes 18/19
MB / BE + LoP	173 507 293	318 312 231	83%	168 847 940	-47%
EAR + ALoP	110 392	9 977 524	904%	2 453 665	-75%
CAR + ALoP	320 002 338	351 453 493	10%	336 474 568	-4%
TOTAL	493 620 023	679 743 248	38%	507 776 173	-25%

Overall comments to 2019 claims year:

- 2019 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 and 2019.
- 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 and 2019. Note that not all Swedish insurers split premiums and claims between EAR and CAR and this might affect premium and claims split over different years.

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.

- 2019 very good loss year
- Few major losses exceeding 1MUS\$ was reported in 2019.
- 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. The trend is still holding but flattens out a bit.

Swedish SEK is still comparably weak. Limited long-term effect as SEK appreciates

Continuing investments in Renewable Energies, environmental projects, healthcare and infrastructure.

Infrastructure projects expected to continue, but still on a lower 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 has started and some upcoming railway projects starts in 2020/2021.

Nuclear has some decommissioning & deconstruction projects and investments in end-storage

Uncertain and cautious economic atmosphere continues.

We expect high downturns in new investments due to Corona Pandemic, also some projects that has been upcoming to be put on hold. Due to less requests to manufacturers and harder funding for projects

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 still expected to be launched within short. Only minor changes to insurance demands are announced but 5 years extended maintenance are likely to be standard.

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