

IMIA NATIONAL REPORT 2018 SPAIN

1. PREMIUMS DEVELOPMENT.

P&C premiums for 2018 reached EUR 35,382 million that means an increase of 3.98% compared to the previous year. Gross written premiums in 2018 for the whole Engineering line of business is EUR 286.82 (that represents the 0.81% of P&C insurance).

Premium Booked totaled for the whole Engineering line is EUR 417.32 million¹, which entails a decrease of 15.18% over the previous year 2017.

The weight of each line of insurance with respect to the total and the growth experienced is shown in the following table:

LINES	% WEIGHT	% GROWTH 18/17
Machinery breakdown	28.10%	4.04%
EAR	6.32%	-17.80%
CAR	31.27%	-9.62%
Electronic equipment	13.42%	5.78%
Decennial Insurance	20.89%	-41.84%
TOTAL	100.00%	-15.18%

Source: ICEA

We can confirm the change in trend of premium increase observed in recent years. In 2018, only MB and EE maintained the trend, while EAR, CAR and DI experienced important decreases, especially the latter.

The effect of the economy slowdown experienced during the crisis years produced a reduction of the engineering insurance premiums evolution, considering both the decrease of the investments and the difficulties to obtain credit. However, it seems that the last years trend changed and the slight recovery of the economy is also noticeable in the engineering field.

¹ The attached table at the end of the report shows the trend in premiums over the last three years in the different lines of engineering insurance business.

In decennial insurance, it continues the trend of falling premiums. Once again, this is mainly due to a decrease of the construction of new houses. Another factor that has contributed to this, is the decrease of the insurance rates applied to this line of business, due mainly to the initial good results registered, and better reinsurance conditions.

2. CLAIMS DEVELOPMENT.

The total cost of claims in 2018 for the whole engineering line of business reached totaled EUR 316.15 million², which entails a significant increase of 40.65% over 2017. Below is set out an analysis of claims weights and the loss ratio in 2018³:

LINES	% / TOTAL	% LOSS RATIO
Machinery breakdown	19.45%	52.45%
EAR	6.31%	75.58% ⁴
CAR	68.81%	166.70%
Electronic equipment	10.05%	56.74
Decennial Insurance	-4.62%	-16.75
TOTAL	100%	44.42

Source: ICEA

MB, EAR and CAR increased their loss ratio compared to 2017, while EE and DI have reduced it. It is striking the case of CAR (66.03% in 2017 vs 166.36% in 2018) and DI (11.36% vs -16.75% in 2017).

The total Engineering loss ratio in 2018 (75.76%) experienced a big increase (45.68% in 2017). In terms of combined loss ratio, taking into consideration the acquisition and administration expenses, in 2018 the figure leads to an unsatisfactory 103.47%³, mainly driven by CAR (the other lines of business had a satisfactory combined ratio) and much higher than in 2017 (70.50%).

3. UNDERWRITING PROFITABILITY.

Three main factors may be highlighted:

- 1) Reduction of investment in protection and security of the facilities due to the economic situation, with the potential increase of the s/p rigged.
- 2) Lack of public investment in facilities and new developments.
- 3) Very competitive insurance market environment

² The attached table at the end of the report sets out the trend for claims over the last three years in the different lines of engineering insurance.

³ IBNR figures have not been considered and they are especially relevant for IDI.

⁴ Accountable losses.

4. BUSINESS OUTLOOK.

The situation in 2019 for the engineering insurance is to expect better results. The economic growth allows some optimism in the engineering insurance sector, although previous comments in UW profitability.

IMIA - The International Association of Engineering Insurers

Please fill in the yellow fields !

Country:	SPAIN			Currency:	EUR			Exchange rate (Dec. 31, 2018) US\$:	1,145548	
Type of Insurance	2016			2017			2018			
	Premium booked (Million)	Claims (Million)	Loss Ratio (%)	Premium booked (Million)	Claims (Million)	Loss Ratio (%)	Premium booked (Million)	Claims (Million)	Loss Ratio (%)	
MB & BE +LoP *)	101,27	55,17	54,48	112,70	56,76	50,37	117,25	61,50	52,45	
EAR +ALoP *)	31,02	0,09	0,30	32,10	20,37	63,45	26,39	19,95	75,58	
CAR +ALoP *)	146,90	53,68	36,54	144,38	95,34	66,03	130,50	217,54	166,70	
EEl *)	46,64	30,36	65,10	52,93	35,27	66,64	55,99	31,77	56,74	
IDI *)	174,82	3,92	2,24	149,92	17,03	11,36	87,19	-14,60	-16,75	
TOTAL	500,64	143,22	28,61	492,03	224,77	45,68	417,32	316,15	75,76	