

# IMIA NATIONAL REPORT 2019 SPAIN

## 1. PREMIUMS DEVELOPMENT.

P&C premiums for 2019 reached EUR 36,632 million that means an increase of 3.39% compared to the previous year. Gross written premiums in 2019 for the whole Engineering line of business is EUR 340.04 million (that represents the 0.93% of P&C insurance).

Premium Booked totaled for the whole Engineering line (including accepted Reinsurance) is EUR 392.04 million<sup>1</sup>, which entails a decrease of 6.05% over the previous year 2018.

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 19/18
Machinery breakdown	36.19%	21.02%
EAR	4.20%	-37.65%
CAR	29.64%	-10.95%
Electronic equipment	13.71%	-3.96%
Decennial Insurance	16.26%	-26.88%
<b>TOTAL</b>	<b>100.00%</b>	<b>-6.05%</b>

Source: ICEA

We can confirm the trend of premium decrease observed in recent years. In 2019, only MB increased its premiums, while the rest of line of business (EAR, CAR, EEI and IDI) experienced important decreases, especially the first.

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.

<sup>1</sup> 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 2019 for the whole engineering line of business reached totaled EUR 206.26 million<sup>2</sup>, which entails a significant decrease of 34.73% over 2018. Below is set out an analysis of claims weights and the loss ratio in 2019<sup>3</sup>:

LINES	% / TOTAL	% LOSS RATIO
Machinery breakdown	38.57%	56.07%
EAR	9.29%	116,43% <sup>4</sup>
CAR	34.43%	61.11%
Electronic equipment	13.09%	50.21%
Decennial Insurance	4.63%	14.99%
<b>TOTAL</b>	<b>100%</b>	<b>52.61%</b>

Source: ICEA

The total Engineering loss ratio in 2019 (52.61%) experienced an important decrease (74.64% in 2018) mainly driven by the significant reduction on the loss ratio of CAR (166.65% in 2018), even though MB, EAR and DI increased their loss ratio compared to the previous year. It is striking the case of DI (14.99% vs -16.75% in 2018).

In terms of combined loss ratio, taking into consideration the acquisition and administration expenses, in 2019 the figure leads to a satisfactory 79.87%<sup>3</sup>.

## 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 associated LR.
- 2) Lack of public investment in facilities and new developments.
- 3) Very competitive insurance market environment

<sup>2</sup> 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.

<sup>3</sup> IBNR figures have not been considered and they are especially relevant for IDI.

<sup>4</sup> Accountable losses.

#### 4. BUSINESS OUTLOOK.

The situation in 2020 for the engineering insurance is to expect the 2019 growth trend, especially in CAR/EAR and machinery insurance. Regarding EAR insurance, the expected growth is mainly due to the expansion of renewable energy installations (photovoltaic, wind).

However, the actual situation resulting from COVID-19 (work stoppages, delays, postponements of the start of new works, machinery stops...) is affecting the initially expected growth.

Country:	SPAIN			Currency:	EUR			Exchange rate (Dec. 31, 2019) US\$ :	1,122701	
Type of Insurance	2017			2018			2019			
	Premium booked (Million)	Claims (Million)	Loss Ratio (%)	Premium booked (Million)	Claims (Million)	Loss Ratio (%)	Premium booked (Million)	Claims (Million)	Loss Ratio (%)	
MB & BE +LoP *)	112,70	56,76	50,37	117,23	61,49	52,45	141,87	79,55	56,07	
EAR +ALoP *)	32,10	20,37	63,45	26,39	19,95	75,58	16,45	19,16	116,43	
CAR +ALoP *)	144,38	95,34	66,03	130,48	217,44	166,65	116,19	71,01	61,11	
EEI *)	52,93	35,27	66,64	55,99	31,77	56,74	53,77	27,00	50,21	
IDI *)	149,92	17,03	11,36	87,19	-14,60	-16,75	63,75	9,56	14,99	
<b>TOTAL</b>	492,03	224,77	45,68	417,27	316,03	75,74	392,04	206,26	52,61	