

SWEDEN

NATIONAL REPORT – Engineering Insurance 2020

A) Premium Development

The Swedish construction cost index change between 2019 and 2020 was approx. +0,5%

Longer term inflation affected by stronger SEK and relatively limited salary increases

During 2020 a small increase of construction and engineering premiums can be seen. Due to the Covid-19 pandemic a lot of projects was delayed during the second half of the year.

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. Unfortunately fewer insurers contributed with statistics this year due to harder internal regulations amongst insurers to share data with external parties.

Currency: SEK

Type of Insurance	Gross Premium written (booked) MSEK				
	2018	2019	Changes 18/19	2020	Changes 19/20
MB / BE + LoP	580 557 304	608 736 440	5%	657 908 110	7,5%
EAR/CAR + ALoP	424 354 690	508 171 683	16%	538 185 052	5,6%
TOTAL	1 004 911 994	1 116 908 123	10%	1 196 093 162	7%

Overall comments

- The competition in the Swedish market has been very hard for many years now but during 2020 the market started to accept higher rates than previous years.
- The tendency of widening policy wordings also started to change and brokers accepted standard wordings on more projects.
- 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)				
	2018	2019	Changes 18/19	2020	Changes 19/20
MB / BE + LoP	454 496 915	308 178 842	-32%	588 762 063	+191%
CAR + EAR + ALoP	391 937 980	335 536 570	-14%	500 329 522	+149%
TOTAL	846 434 895	643 715 412	-24%	1 089 091 585	+169%

Overall comments to 2020 claims year:

- 2020 has continued as a very good year apart from one large loss known to the market. The number of attritional claims continued to increase.
- Aging of the machinery and inadequate maintenance is still 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 5+ years noted that the profit is slowly reducing.

- 2019 very good loss year
- One major CAR/EAR loss was reported during 2020 (in the range of 20-25 MUSD)
- Inadequate maintenance and postponing of critical replacement investments are still often involved in losses.
- The recovery loses pace due to restrictions following the current Covid wave.

D) Business Outlook

- Order books are full for the Swedish wooden house manufacturers but due to lack of material, as a consequence of corona-shutdowns around the world, they are not able to produce.
- Continuing investments in Renewable Energies

- Some major investments in pulp and paper industry are under construction or recently finalized
- Mild set back expected for Sweden and no long term economic issues expected which could have acted dampening on the recovery
- Low inflation pressure although CPI could temporarily pick up in 2021 due to higher energy prices
- Longer term inflation affected by stronger SEK and relatively limited salary increases

Stockholm, July 12, 2020

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