

THE STATS

● Rises in insurance premium prices in the personal motor market have rarely been far from the news in the past two years, but now the headlines are that rates are falling.

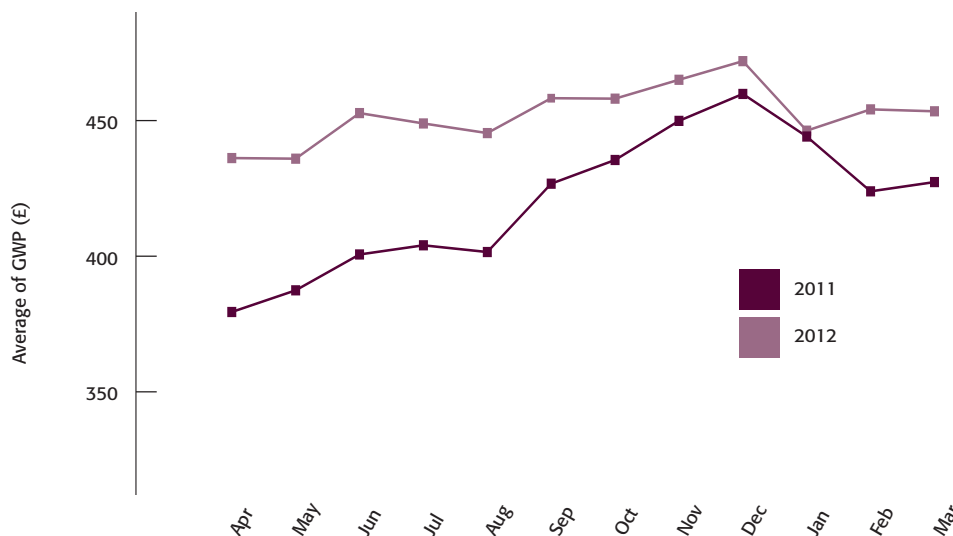
This time last year the AA Car Premium Index revealed that premiums had risen by 5.9% in the first quarter of 2011 giving a 12 month running total increase of a whopping 40.1%.

Coverage of these rises in both the national and trade press was soon followed by several government level investigations into the phenomenon. At the start of this year the Transport Select Committee, in a follow up to its original report into the cost of motor insurance, called for receipt of referral fees to be banned and warned that the spiralling cost was “primarily the result of market dysfunction and, in particular, the escalation of uncontested claims for whiplash injury”.

According to the most recent Sentiment Survey (see page 50) a total of 51% of broker respondents believe rates in personal lines will continue to harden over the next six months. Clearly this line of business involves more than just motor. However, the words of Laurent Matras, managing director at Groupama Insurances, should sound a warning bell. “I think that this is rather optimistic,” he writes in this month’s *Insurance Age*. For UK private motor he clarified: “At Groupama we are already seeing competition returning and rating discounts being applied. Against the background of a government committed to seeing prices coming down and claims inflation still on the increase, it seems that the good times are not going to roll for very long.”

As if to back up his point, the most

Keychoice Ratings: Private car



recent survey by Confused.com and Towers Watson has since shown that prices for comprehensive cover fell by 3.3% in the first quarter of 2012, the first time in almost four years that it has recorded a reduction.

And brokers may be concerned to see that this month’s Keychoice rating index does indeed have a similar sting in its tail.

Looking at the 12 month period as a whole the news is good. Both lines on the graph from March to the following February go upwards overall.

Between March 2010 and February 2011

average premiums rose by 15.8% and for the following 12 months the increase was steady at 14.9%.

But between January and February 2012 rates fell by 7.6%. It could be an isolated event and a quirk of the calendar. The same downward movement occurred in 2011 although then the fall was only 2.7%. Yet the gap from the highest point measured in these statistics should be a concern for brokers, from November 2011 to February 2012 the fall in premium value comes in at 22.1%.

A.M. Best Company: Top 10 Total Personal Lines Motor Insurers in the UK

Rank 2010	Rank 2009	AMB	Company Name	Rating	Ultimate Parent	GWP (£000s)	Underwriting result* (£000s)	Combined ratio (%)	Loss ratio (%)
1	1	87316	Direct Line Insurance	NR	Royal Bank of Scotland Group	1,135,531	-446,182	138.7	125.8
2	2	85250	Aviva Insurance UK	A [1]	Aviva	918,194	-93,606	121.9	102.7
3	4	86257	Royal & Sun Alliance Insurance	A	RSA Insurance Group	675,302	-74,320	110.9	89.8
4	10	87864	Liverpool Victoria Insurance Company	NR	Liverpool Victoria Friendly Society	602,034	-30,337	103.4	78.9
5	9	85203	Axa Insurance	NR	Axa	577,679	-109,248	121.3	102.7
6	3	87274	Churchill Insurance Company	NR	Royal Bank of Scotland Group	551,363	-240,726	142.2	124.3
7	8	86160	Great Lakes Reinsurance (UK)	A+	Munich Reinsurance Company	549,763	-594	N/A	N/A
8	5	87648	UK Insurance	NR	Royal Bank of Scotland Group	529,252	-142,727	123.4	145.8
9	7	87233	Ageas Insurance	NR	Ageas	440,697	-19,040	103.5	85.9
10	6	84803	esure Insurance	NR	Lloyds Banking Group	379,457	-42,910	111.5	96.5

* Underwriting result excludes investment income. Note: Some ratio figures are not available because more than 1% of these companies’ personal lines motor insurance business is accounted for on an underwriting year basis, for which earned premiums is not disclosed on the FSA return. Figures in above table are based on FSA returns of financial year 2010 for total personal lines motor business (reporting category 120)

[1] Rating relates to AMB 78773 Aviva Insurance.

Ratings as of April 16, 2012.