

THE STATS

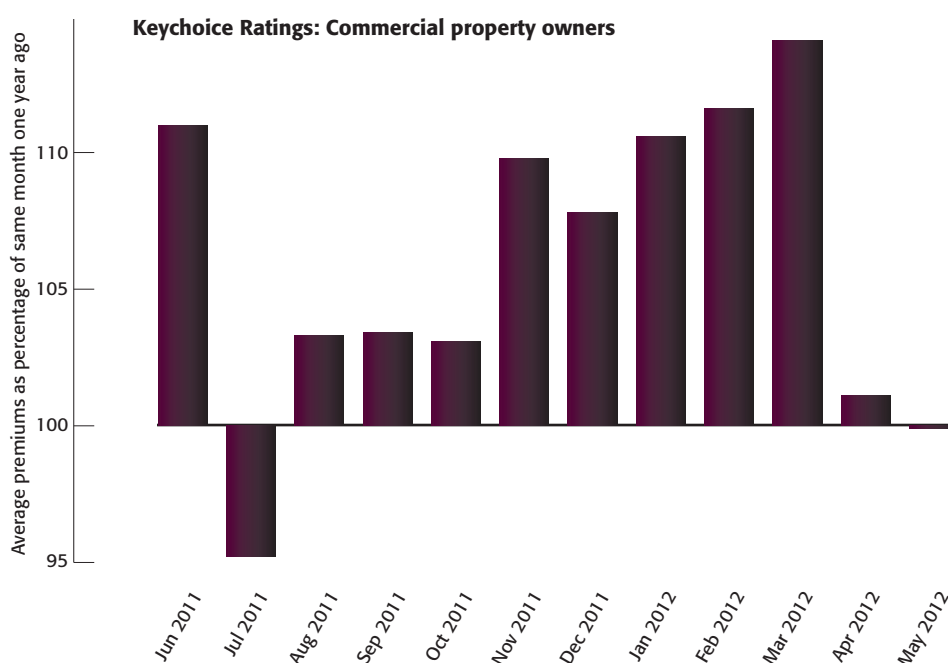
● Unpredictable would best sum up the movement in premiums during the past year for commercial property. As the UK's business prospects remain mired in uncertainty, commercial property premiums also appeared hesitant to either rise or fall over a sustained period with any conviction.

A cursory glance at the statistics reveals a mixed picture in a market that, until now, has remained largely flat and which threatens to remain so in the medium term. Periods of encouraging growth are often followed by substantial drops and, in many months, the increases will not even have matched the rate of inflation in the economy more widely.

Companies succumbing to liquidation have created over-capacity in the market, while financially stricken firms have also been looking to decrease their levels of cover. Property owners have seen tenants move out, forcing them to sell up, resulting in a lack of investment in the property arena.

Just five years ago commercial property was a big investment area, but this has now flattened out and, in the medium term, looks likely to continue in the same vein. For property insurers at the moment it remains a case of trying to get the best price for the exposure being written and to ensure they are in good shape when the market changes.

And the same is almost certainly true for brokers working to retain their clients. The statistics compare one month's average premiums against the same month a year earlier. Thus any rise or fall can be caused by a rate change and/or change in size of risk. Certainly, the period began in a positive



fashion for brokers with June 2011 registering an 11% rise in premiums compared to the previous year. However, July provided an immediate sting in the tail with average premiums coming in almost 5% lower. A benign three-month period of slight premium growth ensued between August and October with growth of some 3% recorded during the spell and brokers may have been encouraged when premiums embarked on a period of growth between November and March. In fact, premiums were up about 10% during

the period. But if there is one thing that is certain about the market, it is uncertainty. Brokers hoping that the three-month spurt marked the start of a hardening market will have been sorely disappointed. The extended honeymoon came to a sudden halt with growth during April falling to just 1.1% before dropping into negative territory in May by registering a narrow 0.1% premium decline. Anybody predicting the next move in average premiums would have to be either very brave, or foolhardy.

A.M. Best Company: Top 10 total UK commercial property insurers

Rank 2011	Rank 2010	AMB	Company Name	Rating	Ultimate Parent	Gross Premiums Written	Underwriting Result*	(%) Combined Ratio	(%) Loss Ratio
1	1	86257	Royal & Sun Alliance Insurance	A	RSA Insurance Group	838,049	-59,028	121.2	66.4
2	2	86513	FM Insurance Company	A+	Factory Mutual Insurance Company	790,816	-42,992	127.6	96.2
3	3 ¹	86524	Aviva Insurance	A ⁴	Aviva	761,794	9,048	97.2	51.7
4	4	86485	Ace European Group	A+	Ace	524,266	36,991	81.0	30.7
5	5	86373	Allianz Insurance	A+	Allianz SE	361,654	19,336	94.2	46.4
6	8	87674	XL Insurance Company	A	XL Group	353,461	-39,428	139.6	87.3
7	6 ²	86845	Axa Insurance UK	NR	Axa	321,645	-39,489	114.1	52.6
8	7	86160	Great Lakes Reinsurance (UK)	A+	Munich Reinsurance Company	304,279	7,619	N/A	N/A
9	10	86126	QBE Insurance (Europe)	A	QBE Insurance Group	262,281	-38,651	N/A	N/A
10	11 ³	87648	UK Insurance	NR	Royal Bank of Scotland Group	239,049	14,751	103.8	48.2

* Underwriting result excludes investment income. Note: Some ratio figures are not available (N/A) because more than 1% of these companies' commercial lines property 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 2011 for total commercial lines property insurance business (reporting category 260). [1] 2010 ranking relates to Aviva International Insurance Ltd which transferred its portfolio into Aviva Insurance Limited. [2] 2010 ranking relates to Axa Insurance plc which transferred its portfolio into Axa Insurance UK plc. [3] 2010 ranking relates to National Insurance and Guarantee Corp Limited which transferred its portfolio into UK Insurance Limited. [4] Rating relates to AMB. 78733 Aviva Insurance Limited.
Ratings as of 14 June 2012.